

A COMPLETE GUIDE FOR ADVANCED AUDITING (CA FINAL)

Applicable for
CA Final
Nov., 2015
Exams onwards



Short
Notes for
Quick Revision

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2nd Edition

Advanced Auditing and Professional Ethics

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- > ICAI Study Material
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EXAMPLE OF AN ENGAGEMENT LETTER, MANAGEMENT REPRESENTATION LETTER, AUDIT REPORT & CERTIFICATION ETC. AS PER STANDARD OF AUDITING

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Example of an Audit Engagement Letter for Audit of Financial Statements under the Companies Act 2013 and the Rules Thereunder (When Reporting u/s 143(3)(i) is Applicable)

Part A: Audit of Financial Statements

To, the Board of Directors of (name of the Entity)

(Address)

Dear Sirs,

I/ We refer to the letter dated _____ informing me / us about my / our (re) appointment/ratification as the auditors of the Company. You have requested that I / we audit the financial statements of the Company as defined in Section 2(40) of the Companies Act, 2013 ('2013 Act'), for the financial year(s) beginning April 1, 20XX and ending March 31, 20YY¹. The financial statements of the Company include, where applicable, consolidated financial statements of the Company and of all its subsidiaries, associate companies and joint ventures. I am / We are pleased to confirm my / our acceptance and my / our understanding of this audit engagement by means of this letter.

My / Our audit will be conducted with the objective of me / our expressing an opinion if the aforesaid financial statements give the information required by the 2013 Act in the manner so required, and give a true and fair view in conformity with the applicable accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 20YY, and its profit/loss and its cash flows for the year ended on that date **which, inter alia, includes reporting in conjunction whether the Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls.** In forming my / our opinion on the financial statements, I / we will rely on the work of branch auditors appointed by the Company and my / our report would expressly state the fact of such reliance.²

I / We will conduct my / our audit in accordance with the Standards on Auditing (SAs), issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed by the Central Government in accordance with Section 143(10) of the 2013 Act. Those Standards require that I / we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. **In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.**

The terms of reference for my / our audit of internal financial controls over financial reporting carried out in conjunction with our audit of the Company's financial statements will be as stated in the separate engagement letter for conducting such audit and should be read in conjunction with this letter.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, including the possibility of collusion or improper management override of controls, there is an unavoidable risk that material misstatements due to fraud or error may occur and not be detected, even though the audit is properly planned and performed in accordance with the SAs. **Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.**

¹ An Engagement Letter may need to be entered into for each year of the period covered by the Eligibility Letter issued by the auditor u/s 139 and the Appointment Letter received from the Company, to supplement / update for any subsequent changes. This may be required because the appointment would need to be ratified at each AGM u/s 139 of the 2013 Act.

² Delete sentence on branch auditors where not applicable.

My / Our audit will be conducted on the basis that the Management and those charged with governance (Audit Committee / Board) acknowledge and understand that they have the responsibility:

- (a) For the preparation of financial statements that give a true and fair view in accordance with the applicable Financial Reporting Standards and other generally accepted accounting principles in India. This includes:
 - Compliance with the applicable provisions of the 2013 Act;
 - Proper maintenance of accounts and other matters connected therewith;
 - The responsibility for the preparation of the financial statements on a going concern basis;
 - The preparation of the annual accounts in accordance with, the applicable accounting standards and providing proper explanation relating to any material departures from those accounting standards;
 - Selection of accounting policies and applying them consistently and making judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
 - Taking proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the 2013 Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
 - Laying down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
 - Devising proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- (b) Identifying and informing me / us of financial transactions or matters that may have any adverse effect on the functioning of the Company.
- (c) Identifying and informing me / us of :
 - All the pending litigations and confirming that the impact of the pending litigations on the Company's financial position has been disclosed in its financial statements;
 - All material foreseeable losses, if any, on long term contracts including derivative contracts and the accrual for such losses as required under any law or accounting standards; and
 - Any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- (d) Informing me / us of facts that may affect the financial statements, of which Management may become aware during the period from the date of my / our report to the date the financial statements are issued.
- (e) Identifying and informing me / us as to whether any director is disqualified as on March 31, 20YY from being appointed as a director in terms of Section 164 (2) of the 2013 Act. This should be supported by written representations received from the directors as on March 31, 20YY and taken on record by the Board of Directors.
- (f) To provide me / us, inter alia, with:
 - (i) Access, at all times, to all information, including the books, accounts, vouchers and other records and documentation of the Company, whether kept at the Head Office or elsewhere, of which the Management is aware that are relevant to the preparation of the financial statements such as records, documentation and other matters. This will include books of account maintained in electronic mode;
 - (ii) Access, at all times, to the records of all the subsidiaries (including associate companies and joint ventures as per Explanation to Section 129(3) of the 2013 Act) of the Company in so far as it relates to the consolidation of its financial statements, as envisaged in the 2013 Act;
 - (iii) Access to reports, if any, relating to internal reporting on frauds (e.g., vigil mechanism reports etc.), including those submitted by cost accountant or company secretary in practice to the extent it relates to their reporting on frauds in accordance with the requirements of Section 143(12) of the 2013 Act;
 - (iv) Additional information that I / we may request from the Management for the purposes of my / our audit;
 - (v) Unrestricted access to persons within the Company from whom I / we deem it necessary to obtain audit evidence. This includes my / our entitlement to require from the officers of the Company such information and explanations as I / we may think necessary for the performance of my / our duties as

the auditors of the Company; and

- (vi) All the required support to discharge my / our duties as the statutory auditors as stipulated under the Companies Act, 2013/ ICAI standards on auditing and applicable guidance.

As part of my / our audit process, I / we will request from the Management written confirmation concerning representations made to me / us in connection with my / our audit.

My / Our report prepared in accordance with relevant provisions of the 2013 Act would be addressed to the shareholders of the Company for adoption of the accounts at the Annual General Meeting. In respect of other services, my / our report would be addressed to the Board of Directors. The form and content of my / our report may need to be amended in the light of my / our audit findings.

In accordance with the requirements of Section 143(12) of the 2013 Act, if in the course of performance of my / our duties as auditor, I / we have reason to believe that an offence involving fraud is being or has been committed against the Company by officers or employees of the Company, I / we will be required to report to the Central Government, in accordance with the rules prescribed in this regard which, inter alia, requires me / us to forward my / our report to the Board or Audit Committee, as the case may be, seeking their reply or observations, to enable me / us to forward the same to the Central Government.

As stated above, given that I am / we are required as per Section 143(12) of the Act to report on frauds, such reporting will be made in good faith and, therefore, cannot be considered as breach of maintenance of client confidentiality requirements or be subject to any suit, prosecution or other legal proceeding since it is done in pursuance of the 2013 Act or of any rules or orders made thereunder.

I / We also wish to invite your attention to the fact that our audit process is subject to 'peer review' / 'quality review' under the Chartered Accountants Act, 1949. The reviewer(s) may inspect, examine or take abstract of my / our working papers during the course of the peer review/quality review.

I / We may involve specialists and staff from our affiliated network firms to perform certain specific audit procedures during the course of my / our audit.

In terms of Standard on Auditing 720 – “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements” issued by the ICAI and deemed to be prescribed by the Central Government in accordance with Section 143(10) of the 2013 Act, I / we request you to provide to me / us a Draft of the Annual Report containing the audited financial statements so as to enable me / us to read the same and communicate material inconsistencies, if any, with the audited financial statements, before issuing the auditor’s report on the financial statements.

{Other relevant information}

{Insert Other information, such as fee arrangements, billings and other specific terms, as appropriate.} **(For example, “My / Our fees and out-of-pocket expenses for the audit of the financial statements for the year have been fixed by the members at the Annual General Meeting at Rs. _____, plus out-of-pocket expenses and indirect taxes/ will be mutually agreed between the Board of Directors of the Company and me / ourselves.* I / We will bill as the work progresses. I / We will notify you promptly of any circumstances I / we encounter that could significantly affect my / our estimate of fees and discuss with you any additional fees, as necessary.”)**

This letter should be read in conjunction with my / our letter dated ____ for the Audit of Internal Financial Controls Over Financial Reporting under the 2013 Act, in respect of which separate fees have been fixed/will be mutually agreed.

I / We look forward to full cooperation from your staff during my / our audit.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for my / our audit of the financial statements including our respective responsibilities.

Yours faithfully,

(signature)

(Name of the Member)

(Designation)

(Name of the Firm)

Date:

Place:

Copy to: Chairman, Audit Committee

Acknowledged on behalf of <<Name of the entity>>

Name and Designation: _____

Date: _____

B: Audit of Internal Financial Controls Over Financial Reporting

(Refer Illustrative Format Provided in Appendix 1 of the Guidance Note on Audit of Internal Financial Controls over Financial Reporting)

1B

Example of an Audit Engagement Letter for Audit of Financial Statements under the Companies Act 2013 and the Rules Thereunder (When Reporting u/s 143(3)(i) of the Companies Act, 2013 is Not Applicable)

To,

The Board of Directors of..... (name of the Entity)

(Address)

Dear Sirs,

I / We refer to-----**Same as per Format 1A**

My / Our audit will be conducted with the objective of me / our expressing an opinion if the aforesaid financial statements give the information required by the 2013 Act in the manner so required, and give a true and fair view in conformity with the applicable accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 20YY, and its profit/loss and its cash flows for the year ended on that date. Informing my/our opinion on the financial statements, I / we will rely on the work of branch auditors appointed by the Company and my/our report would expressly state the fact of such reliance.

I/We will conduct my/our audit in accordance with the Standards on Auditing(SAs), issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed by the Central Government in accordance with Section 143(10) of the 2013 Act. Those Standards require that I / we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, including the possibility of collusion or improper management override of controls, there is an unavoidable risk that material misstatements due to fraud or error may occur and not be detected, even though the audit is properly planned and performed in accordance with the SAs.

In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

My / Our audit will be conducted on the basis that the Management and those charged with governance (Audit

Committee / Board) acknowledge and understand that they have the responsibility:

(a) Point No. (a) to (f)-----Same as per format 1A

As part of my / our-----Same as per format 1A

My / Our report prepared -----Same as per format 1A

In accordance with the provisions of Section 143(12) and 143(13) of the 2013 Act, if in the course of performance of my / our duties as auditor, I / we have reason to believe that an offence involving fraud is being or has been committed against the Company by officers or employees of the Company, I / we will be required to report to the Central Government, in accordance with the rules prescribed in this regard which, inter alia, requires me / us to forward my / our report to the Board or Audit Committee, as the case may be, seeking their reply or observations, to enable me / us to forward the same to the Central Government. **Such reporting will be made in good faith and, therefore, cannot be considered as breach of maintenance of client confidentiality requirements or be subject to any suit, prosecution or other legal proceeding since it is done in pursuance of the 2013 Act or of any rules or orders made there under.**

I / We also wish to invite -----Same as per format 1A

I / We may involve -----Same as per format 1A

In terms of -----Same as per format 1A

I/We look forward to full cooperation from your staff during my/our audit.

Please sign and return -----Rest same as per format 1A

2

Example of an Engagement Letter for a Review of Financial Statements as per SA 2400

To the Board of Directors (or the appropriate representative of senior management):

This is with reference to your letter dated _____, appointing us to review the financial statements for the period ended _____.

This letter is to confirm our understanding of the items and objectives of our engagement and the nature and limitations of the services we will provide.

We will review the balance sheet of ABC Company as of March 31, 20XX, and the related statement of profit and loss and cash flows for the year then ended, in accordance with the Standard on Review Engagements (SRE) 2400, "Engagements to Review Financial Statements" issued by the Institute of Chartered Accountants of India. We will not perform an audit of such financial statements and, accordingly, we will not express an audit opinion on them. Accordingly, we are expected to provide a negative assurance on the financial statements reviewed by us.

Responsibility for the financial statements, including adequate disclosure, in that of the management of the company. This includes the maintenance of adequate accounting records and internal controls and the selection and application of accounting policies. As part of our review process, we will request written representations from management concerning assertions made in connection with the review.

This letter will be effective for future years unless it is terminated, amended or superseded (applicable only in a continuing engagement).

Our engagement cannot be relied upon to disclose whether fraud or errors, or violation of laws and regulations exist. However, we will inform you of any material matters that come to our attention.

We also invite your attention to the fact that our audit process is subject to 'peer review' under the Chartered Accountants Act, 1949. The reviewer may examine our working papers during the course of the peer review.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our review of the financial statements.

XYZ

Same as per Example 1

Example of an Engagement Letter for a Review of Interim Financial Information as per SRE 2410

To the Board of Directors of ABC Company Ltd.

We are providing this letter to confirm our understanding of the terms and objectives of our engagement to review the entity's interim balance sheet as at September 30, 20X1 and the related statement of profit and loss and cash flows for the six-month period then ended.

Our review will be conducted in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the ICAI with the objective of providing us with a basis for reporting whether anything has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with the _____ [indicate applicable FRF]. Such a review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The scope of a review of IFI is substantially less than the scope of an audit conducted in accordance with Standards on Auditing whose objective is the expression of an opinion regarding the financial statements and, accordingly, we shall express no such opinion.

We expect to report on the interim financial information as follows:

[Include text of sample report.]

Responsibility for the interim financial information, including adequate disclosure, is that of management of the entity. This includes designing, implementing and maintaining internal control relevant to the preparation and presentation of interim financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

As part of our review, we will request written representations from management concerning assertions made in connection with the review. We will also request that where any document containing interim financial information indicates that the interim financial information has been reviewed, our report will also be included in the document.

A review of IFI does not provide assurance that we will become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist.

However, we will inform you of any material matters that come to our attention.

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records; documentation and other information are requested in connection with our review.

[Insert additional information regarding fee arrangements and billings, as appropriate.]

This letter will be effective for future years unless it is terminated, amended or superseded (if applicable). Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our review of the interim financial information including our respective responsibilities.

XYZ

Same as per Example 1

Example of an Engagement Letter for an Agreed-upon Procedures Engagement as per SRS 4400

To the Board of Directors (or other appropriate representatives of the client who engaged the auditor).

This is in reference to your letter dated _____, appointing us to perform agreed-upon procedures in respect of _____ (identify the items, e.g., sales, accounts receivables, profit of a segment, etc., of the entity).

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and

limitations of the services that we will provide.

Our engagement will be conducted in accordance with the Standard on Related Services (SRS) 4400, "Engagements to perform Agreed-upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India and we will indicate so in our report.

We have agreed to perform the following procedures and report to you the factual findings resulting from our work: (Describe the nature, timing and extent of the procedures to be performed, including specific reference, where applicable, to the identity of documents and records to be read, individuals to be contacted and parties from whom confirmations will be obtained.)

The procedures that we will perform are solely to assist you in _____ (state purpose). Our report is not be used for any other purpose and is solely for your information, and/or for use by _____ (in case the terms of reference so require).

The procedures that we will perform will not constitute an audit or a review made in accordance with the generally accepted auditing standards in India and, consequently, no assurance will be expressed.

We look forward to your full cooperation and trust that you will make available to us whatever records, documentation and other information requested in connection with our engagement.

Our fees will be billed as work progresses.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the terms of the engagement including the specific procedures, which we have agreed will be performed.

XYZ

Same as per Example 1

5

**Example of an Engagement Letter for a Compilation Engagement
as per SRS 4410 [M07]**

To the Board of Directors (or other appropriate representatives of senior management)

You have, vide your letter dated _____ requested that we compile the balance sheet of XYZ Ltd as at _____ (date) and the related profit and loss account and the (cash flow statement) for the year ended on that date.

We are pleased to confirm our acceptance and understanding of the engagement by means of this letter. As no audit or review engagement procedures would be carried out, no opinion on the financial statements will be expressed. Further, our engagement cannot be relied upon to disclose whether frauds or defalcations, or illegal acts exist. However, we will inform you of any such matters which might come to our attention in the course of the engagement.

As management, you are responsible for:

The accuracy and completeness of the information supplied to us, including maintenance for adequate accounting records and internal controls and selection and application of appropriate accounting policies.

Preparation and presentation of the financial statements of the entity, in accordance with the applicable laws and regulations, if any.

Safeguarding the assets of the entity and also establishing appropriate controls designed to prevent and detect fraud and other irregularities.

Ensuring that the activities of the entity are carried in accordance with applicable laws and regulations and that it institutes appropriate controls to prevent and detect any non-compliance.

Ensuring complete disclosure of all material and relevant information to the accountant.

You will confirm that events and transactions are recorded in accordance with the applicable Accounting Standards, issued by the ICAI and other recognized accounting principles and practices and inform us of any departures there

from.

As part of our normal procedures, we may request you to provide written confirmations of any information or explanations given to us orally during the course of our work.

We understand that the intended use and distribution of the information we have compiled is _____
(specify).

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information requested in connection with our engagement.

Our fees will be billed as the work progresses.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our compilation of your financial statements.

XYZ

Same as per Example 1

6

Example of a Management Representation Letter in an Audit of Financial Statements as per SA 580 [N11]

[Letterhead of Entity]

[Date]

[Name and Address of the Auditor]

Dear Sir,

This representation letter is provided in connection with your audit of the financial statements of ABC Company for the year ended March 31, 20XX for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects or give a true and fair view of the financial position in accordance with applicable accounting standard in India.

We confirm, to the best of our knowledge and belief, the following representations:

1. Financial Statements:

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated [insert date], for the preparation of the financial statements in accordance with Financial Reporting Standards; in particular the financial statements are fairly presented (or give a true and fair view) in accordance with the applicable accounting standards in India.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. (SA 540)
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of applicable accounting standards in India. (SA 550)
- All events subsequent to the date of the financial statements and for which applicable accounting standards in India require adjustment or disclosure have been adjusted or disclosed. (SA 560)
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to be the representation letter. (SA 450)

2. Information Provided:

- We have provided you with:
 - ◊ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ◊ Additional information that you have requested from us for the purpose of the audit; and
 - ◊ Unrestricted access to persons within the entity from whom, you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially

misstated as a result of fraud. (SA 240)

- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - ◊ Management
 - ◊ Employees who have significant roles in internal control; or
 - ◊ Others where, the fraud could have a material effect on the financial statements. (SA 240)
 - We have disclosed to you all information in relation to the allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysis, regulators or others. (SA 240)
 - We have disclosed to you all known instances of non-compliance or suspected non-preparing financial statements. (SA 250)
 - We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. (SA 550)
 - Any other matters that the auditor may consider necessary. Other matters may include the following:
- 3. Accounting Policies:** The accounting policies which are material or critical in determining the results of operations for the year or financial position are set out in the financial statements and are consistent with those adopted in the financial statements for the previous year. The financial statements are prepared on accrual basis.
- 4. Assets:** The Company has a satisfactory title to all assets and there are no liens or encumbrances on the company's assets, except for those that are disclosed in Note X to the financial statements.
- 5. Fixed Assets:** The net book values at which fixed assets are stated in the Balance Sheet are arrived at:
- After taking into account all capital expenditure on additions thereto, but no expenditure properly chargeable to revenue;
 - After eliminating the cost and accumulated depreciation relating to items sold, discarded, demolished or destroyed;
 - After providing adequate depreciation on fixed assets during the period.
- 6. Capital Commitments:** At the balance sheet date, there were no outstanding commitments for capital expenditure excepting those disclosed in Note X to the financial statements.
- 7. Investments:**
- The current investments as appearing in the Balance Sheet consist of only such investments as are by their nature readily realisable and intended to be held for not more than one year from the respective dates on which they were made. All other investments have been shown in the Balance Sheet as 'long-term investments'.
 - Current investments have been valued at the lower of cost and fair value. Long-term investments have been valued at cost, except that any permanent diminution in their value has been provided for in ascertaining their carrying amount.
 - All the investments produced to you for physical verification belong to the entity and they do not include any investments held on behalf of any other person.
 - The entity has clear title to all its investments including such investments which are in the process of being registered in the name of the entity or which are not held in the name of the entity and there are no charges against the investments of the entity except those appearing in the records of the entity.
- 8. Inventories:**
- Inventories at the year-end consisted of the following:

Raw Materials (including components)	Rs
Work-in-Process	Rs
Finished Goods (including by-products)	Rs
Maintenance supplies and Stores and Spare Parts	Rs
Loose Tools	Rs
Others (specify each major head separately)	Rs
Total	Rs
 - All quantities were determined by actual physical count or weight or measurement that was taken under our supervision and in accordance with written instructions, on (date/dates of physical verification), except as follows:
 - All goods included in the inventory are the property of the entity, none of the goods are held as consignee for others or as bailee, and, except as set out below, none of the goods are subject to any charge.

- All inventories owned by the entity, wherever located, have been recorded, including goods sent on consignment.
- Inventories do not include goods sold to customers for which delivery is yet to be made.
- Where physical verification of inventories is carried out at a date other than the closing date, this paragraph may be modified as below:

Inventories recorded in the books as at(date of balance sheet) aggregating to Rs. are based upon the physical inventories taken as at (date of physical verification) by actual count, weight or measurement. The material discrepancies noticed on physical verification of stocks as compared to book records have been properly dealt with in the books of account and subsequent transactions recorded in the accounts fairly reflect the changes in the inventories up to (balance sheet date) Inventories have been valued on the following basis/bases:

Raw Materials (including components)

Work-in-Process

Finished Goods (including by-products)

Maintenance supplies and Stores and Spare Parts

Loose Tools

Others (specify each major head separately)

(In describing the basis/bases of valuation, the method of ascertaining the cost (e.g. FIFO, Average Cost or LIFO) should also be stated.

Similarly, the extent to which overheads have been included in the cost should also be stated.)

- The following provisions have been made in respect of excess, slow moving, damaged, or obsolete inventories and these, in our view, are adequate.
- No item of inventories has a net realizable value in the ordinary course of business which is less than the amount at which it is included in inventories.
- The basis/bases of valuation is/are the same as that/those used in the previous year, except as set out below:
- Class of inventory Basis of Valuation This Year Last Year Effect of change in Basis of Valuation

....

9. Debtors, Loans and Advances: The following items appearing in the books as at(date of the Balance Sheet) are considered good and fully recoverable with the exception of those specifically shown as "doubtful" in the Balance Sheet.

Sundry Debtors Rs.

Loans and Advances Rs.

10. Other Current Assets: In the opinion of the Board of Directors, other current assets have a value on realisation in the ordinary course of the company's business which is at-least equal to the amount at which they are stated in the Balance Sheet, except as stated in Note X to the financial statements.

11. Liabilities

- We have recorded all known liabilities in the financial statements.
- We have disclosed in notes to the financial statements all guarantees that we have given to third parties and all other contingent liabilities.
- Contingent liabilities disclosed in the notes to the financial statements do not include any contingencies which are likely to result in a loss and which, therefore, require adjustment of assets or liabilities.

12. Provisions for Claims and Losses

- Provision has been made in the accounts for all known losses and claims of material amounts.
- There have been no events subsequent to the balance sheet date which require adjustment of or disclosure in, the financial statements or notes thereto.

13. Profit and Loss Account: Except as disclosed in the financial statements, the results for the year were not materially affected by:

- Transactions of a nature not usually undertaken by the company;
- Circumstances of an exceptional or non-recurring nature;

- Charges or credits relating to prior years;
- Changes in accounting policies.

14. General:

- The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:
 - ◊ Losses arising from sale and purchase commitments.
 - ◊ Agreements and options to buy back assets previously sold.
 - ◊ Assets pledged as collateral.
- There have been no irregularities involving management or employees who have a significant role in the system of internal control that could have a material effect on the financial statements.
- The financial statements are free of material misstatements, including omissions.
- The company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

For ABC & COMPANY
Director/Managing Director

7	Illustration of an Audit Report on Financial Statements prepared in accordance with Special Purpose Framework as per SA 800
<u>Circumstances:</u> • Financial statements prepared in accordance with Financial Reporting provisions of a contract (i.e., a special purpose framework). • The applicable FRF is a Compliance Framework. • Distribution and use of the Auditor's report are Restricted.	

Independent Auditor's Report

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company Ltd., which comprise the balance sheet as at March 31, 20X1, and the statement of profit and loss, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The financial statements have been prepared by management of ABC Company Ltd based on the financial reporting provisions of section/clause Z of the contract dated July, 20XX between ABC Company Ltd and XYZ Company Ltd. ("the contract").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of section/clause Z of the contract; this includes the design, implementation and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Opinion

In our opinion, the financial statements of ABC Company Ltd. for the year ended March 31, 20X1 are prepared, in all material respects, in accordance with the financial reporting provisions of section/clause Z of the contract.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note X to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist ABC Company Ltd. To comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable

for another purpose. Our report is intended solely for ABC Company Ltd. and XYZ Company Ltd. And should not be distributed to or used by parties other than ABC Company Ltd. or XYZ Company Ltd.

For XYZ and Co
Chartered Accountants
Firm's Registration Number
Signature
(Name)
(Designation)
Membership Number

Place of Signature
Date

8	Example of Audit Report on Audit of a balance sheet as per SA 805 (Audit of Single FS etc.)
<u>Circumstances:</u> - Audit of a balance sheet. - The balance sheet has been prepared in accordance with requirements of AS referred in Sec. 211 (3C) of Companies Act, 1956. - The applicable Financial Reporting Framework is a Fair Presentation Framework designed to meet the common financial information needs of a wide range of users. - The terms of the Audit Engagement reflect the description of Management's Responsibility for the Financial Statements in SA 210. - The Auditor has determined that it is appropriate to use the phrase "true and fair view" in the Auditor Opinion.	

Independent Auditor's Report

[Appropriate Addressee]

We have audited the accompanying balance sheet of ABC Company Ltd. as at March 31, 20X1 and a summary of significant accounting policies and other explanatory information (together "the financial statement").

Management Responsibility.....

Auditor Responsibility.....

Opinion

In our opinion, the financial statement presents a true and fair view of the state of affairs of ABC Company Ltd. as at March 31, 20X1 in accordance with those requirements of the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"), relevant to preparing such a financial statement.

XYZ
Same as per Illustration 7

9	Illustration of Audit Report on Audit of a statement of Cash Receipt and Disbursement as per SA 805
<u>Circumstances:</u> - Audit of a statement of Cash Receipts and Disbursements (i.e., a Single Financial Statement) - The applicable Financial Reporting Framework is a Fair Presentation Framework designed to meet the financial information needs of specific users. - The Auditor has determined that it is appropriate to use the phrase "true and fair view" in the Auditor Opinion. - Distribution and use of the Auditor's Report is not restricted.	

Independent Auditor's Report

[Appropriate Addressee]

We have audited the accompanying statement of cash receipts and disbursements of ABC Company Ltd. for the year ended March 31, 20X1 and a summary of significant accounting policies and other explanatory information (together “the financial statement”). The financial statement has been prepared by management using the cash receipts and disbursements basis of accounting described in Note X.

Management’s Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Opinion

In our opinion, the financial statement presents a true and fair view of the cash receipts and disbursements of ABC Company Ltd. for the year ended March 31, 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the statement may not be suitable for another purpose.

XYZ
Same as per Illustration 7

10	Illustration of Auditor’s Report on Summary Financial Statements as per SA 810
Circumstances include the following: • An unmodified opinion is expressed on the Audited Financial Statements. • Established criteria for the preparation of SFS exist. • The Auditor’s Report on the SFS is dated later than the date of the Auditor’s Report on the AFS from which the SFS are derived.	

Auditor’s Report on Summary financial statements

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at March 31, 20X1, the summary statement of profit & loss, and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company Ltd. for the year ended March 31, 20X1. We expressed an unmodified audit opinion on those financial statements in our report dated May 15, 20X1. *Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.*

The summary financial statements do not contain all the disclosures required by the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”) [applied in the preparation of the audited financial statements of ABC Company Ltd.]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company Ltd.

Management’s Responsibility

Management is responsible for the preparation of a summary of the audited financial statements in accordance with Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”) and accounting principles generally accepted in India.

Auditor’s Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, “Engagements to Report on Summary Financial

statements “issued by the ICAI.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company Ltd. for the year ended March 31, 20X1 are a fair summary of those financial statements, in accordance with with Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”) and accounting principles generally accepted in India.

XYZ

Same as per Illustration 7

11

Illustration of Auditor’s Report on Summary Financial Statements as per SA 810

Circumstances include the following:

- A Qualified Opinion is expressed on the Audited Financial Statements.
- Criteria are developed by management and adequately disclosed in Note X. The Auditor has determined that the criteria are acceptable in the circumstances.

Auditor’s Report on Summary financial statements

[Appropriate Addressee]

The accompanying summary financial statements, which comprise the summary balance sheet as at March 31, 20X1, the summary statement of profit & loss, and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company Ltd. for the year ended March 31, 20X1. **We expressed a qualified audit opinion on those financial statements in our report dated May 15, 20X1. (See below)**

The summary financial statements do not contain all the disclosures required by the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”) [applied in the preparation of the audited financial statements of ABC Company Ltd.]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company Ltd.

Management’s Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note X.

Auditor’s Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, “Engagements to Report on Summary Financial statements “issued by the ICAI.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company Ltd. for the year ended March 31, 20X1 are a fair summary of those financial statements, on the basis described in Note X. However the summary financial statements are misstated to the equivalent extent as the audited financial statements of ABC Company Ltd for the year ended March 31, 20X1.

The misstatement of the audited financial statements is described in our qualified audit opinion in our report dated May 15, 20X1. Our qualified audit opinion is based on the fact that the company’s inventories are carried in the balance sheet in those financial statements at Rs. XXX. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes from the AS 2, “Valuation of Inventories”. The company records indicate that had management stated the inventories at the lower of cost and net realizable value, an amount of Rs. XXXX would have been required to write the inventories down to their net realizable value. Accordingly, cost of sales would have been increased by Rs. XXX, and income tax, net income and shareholder’s equity would have been reduced by Rs. XXX, Rs XXXX and Rs XXX, respectively. Our qualified audit opinion states that, except for the effects of the described matter, those financial statements give a true and fair view of the state of affairs of

ABC Company Ltd as of March 31, 20X1, and (of) its results of operations and its cash flows for the year then ended in accordance with the AS referred to in sub-section (3C) of section 211 of the Co. Act, 1956.

Opinion (If adverse opinion is issued on Audited Financial Statements)

In our report dated June 4, 20X1, we expressed an adverse audit opinion on the financial statements of ABC Company Ltd, for the year ended March 31, 20X1. The basis for our adverse audit opinion was (described basis for adverse audit opinion). Our adverse audit opinion stated that (describe adverse audit opinion).

Because of the significance of the matter discussed above, it is inappropriate to express an opinion on the summary financial statements of ABC Company Ltd. for the year ended March 31, 20X1.

XYZ

Same as per Illustration 7

12

Example of Unqualified Review Report as per SRE 2400

Review Report to.....

We have reviewed the accompanying balance sheet of ABC Company at March 31, 20XX, and the related statement of profit and loss and cash flows for the year then ended. These financial statements have been approved by the board of directors of the company and are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements base on our review.

We conduct our review in accordance with the Standard on Review Engagement (SRE) 2400, "Engagements to Review Financial Statements" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true fair view (or 'are not presented fairly, in all material respects') in accordance with Accounting Standards issued by the Institute of Chartered Accountants of India.

XYZ

Same as per Illustration 7

13

Example of Review Reports other than Unqualified/Modified as per SRE 2400

Qualification for a Departure from an Accounting Standard

Review Report to....

We have reviewed the accompanying balance sheet of ABC Company at March 31, 20XX, and the related statement of profit and loss and cash flows for the year then ended. These financial statements have been approved by the board of directors of the company and are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2400, "Engagements to Review Financial Statements" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Management has informed us that inventory has been stated at its cost, which is in excess of its net realizable value. Management's computation, which we have reviewed, shows that inventory, if valued at the lower of cost and net realizable value as required by Accounting Standard (AS) 2, "Valuation of Inventories" issued by the Institute of

Chartered Accountants of India, would have been decreased by Rs. X, and net profit and reserves would have been decreased by Rs. X.

Based on our review, except for the effects of the overstatement of inventory described in the previous paragraph, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view (or 'are not presented fairly, in all material respects') in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

XYZ

Same as per Illustration 7

Adverse Report for a Departure from an Accounting Standard

Review Report to.....

We have reviewed the accompanying balance sheet of ABC Company at March 31, 20XX, and the related statement of profit and loss and cash flows for the year then ended. These financial statements have been approved by the board of directors of the company and are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2400, "Engagements to Review Financial Statements" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

As noted in note X, the Company has adopted the method of taking entire profits on construction contracts to the profit in cases where the contracts have not even been commenced or where only a very minor part of the expenditure relating to the construction contracts has been incurred. This method of accounting is contrary to the requirements of Accounting Standard (AS) 7, "Accounting for Construction Contracts", issued by the Institute of Chartered Accountants of India.

Based on our review, because of the pervasive effect on the financial statements of the matter discussed in the preceding paragraph, the accompanying financial statements do not give a true and fair view (or 'are not presented fairly, in all material respects') in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

XYZ

Same as per Illustration 7

14

Example of Unqualified Review on Interim Financial Information consists of complete Set of General purpose FS Prepared in Accordance with a FRF as per SRE 241

Report on Review of Interim Financial Information

(Appropriate addressee)

Introduction

We have reviewed the accompanying balance sheet of XYZ Entity as of June 30, 20X1 and the related statements of profit & loss and cash flows for the three-month period then ended, and a summary of signification accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with _____ [indicate applicable FRF]. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with SRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of (or "does not present fairly, in all material respects,") the State of Affairs of the entity as at June 30, 20X1, and of its Results of Operations and its cash flows for the three month period then ended in accordance with _____ [applicable FRF]

XYZ

Same as per Illustration 7

15

Example of Report on Examination of Prospective Financial Information as per SAE 3400

To the (Addressee)

We have examined the projection of _____ (project) _____ (name of the entity) for the period from _____ to _____ in accordance with Standard on Assurance Engagement 3400, "The Examination of Prospective Financial Information", issued by the ICAI.

The preparation and presentation of the projection including the underlying assumptions, set out in note _____ to _____ to the prospective financial information, is the responsibility of the Management has been approved by the Board of Directors of the company. Our responsibility is to examine the evidence supporting the assumptions (excluding the hypothetical assumption) and other information in the prospective financial information. Our responsibility does not include verification of projections. Therefore, we do not vouch for the accuracy of the same.

This projection has been prepared for _____ (intended use). The projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's action that are not necessarily expected to occur. Consequently, users are cautioned that this projection may not be appropriate for purpose other than that described above.

We have carried out our examination of the prospective financial information on a test basis. Based on our examination of the evidence supporting the assumptions, nothing has come to our attentions which causes us to believe that these assumptions do not provide a reasonable basis for the projection, assuming that _____ (state or refer to the hypothetical assumptions).

Further, in our opinion the projection is properly prepared on the basis of the assumptions as set out in Note _____ to the Prospective Financial Information and on a consistent basis with the historical financial statements, using appropriate accounting principles. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projection since other anticipated events frequently do not occur as expected and the variation may be material.

XYZ

Same as per Illustration 7

16

Example of a Report of Factual Findings in Connection with Accounts Receivable as per SRS 4400

CONFIDENTIAL

To (those who engaged the auditor)

We have performed the procedures agreed with you and enumerated below with respect to the accounts receivable of XYZ Company as at _____ (date), set forth in the accompanying schedules (not shown in this example). Our engagement was undertaken in accordance with the Standard on Related Services (SRS) 4400, "Engagements to Perform Agreed-upon Procedures regarding Financial Information", issued by the Institute of

Chartered Accountants of India. The procedures were performed solely to assist you in evaluating the validity of the accounts receivable and are summarized as follows:

1. We obtained and checked the addition of the trial balance of accounts receivable as at _____ (date), prepared by ABC Company, and we compared the total to the balance in the related general ledger account.
2. We compared the attached list (not shown in this example) or major customers and the amounts outstanding at _____ (date) to the related names and amounts in the trial balance.
3. We obtained customers' statements or confirmations from customers to confirm balances outstanding at _____ (date).
4. We compared such statements or confirmations to the amounts referred to in 2 above. For amounts which did not agree, we obtained reconciliations obtained, we identified and listed outstanding invoices, debit notes and outstanding cheques, each of which was greater than Rs. XXX. We located and examined such invoices and debit notes subsequently raised and cheques subsequently received and we ascertained that they have been rightly listed as outstanding on the reconciliations.

We report our findings below:

- (a) With respect to item 1, we found the addition to be correct and the total amount to be in agreement.
- (b) With respect to item 2, we found the amounts compared to be in agreement.
- (c) With respect to item 3, we found there were suppliers' statements for all such customers.
- (d) With respect to item 4, we found the amounts agreed, or with respect to amounts which did not agree, we found the Company had prepared reconciliations and that the debit notes, invoices and outstanding cheques over Rs. XXX were appropriately listed as reconciling items with the following exceptions:

(Details the exceptions)

Because the above procedures do not constitute either an audit or a review made in accordance with the generally accepted auditing standard in India, we do not express any assurance on the accounts receivable as at _____ (date). Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with the generally accepted auditing standards in India, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and an item specified above and does not extend to any financial statements of ABC Company, taken as a whole.

XYZ

Same as per Illustration 7

17

**Example of an Accountant's Report on Compilation of unaudited FS
(when such FS Comply with the Generally Accepted Accounting Practices
in India) as per SRS 4410**

To.....

On the basis of the accounting records and other information and explanation provided to us by the management, we have compiled, the unaudited balance sheet of (name of the entity) as at March 31, XXXX and the related profit and loss account and the cash flow statement for the period then ended.

The management of the _____ (name of the entity) is responsible for:

- (a) Completeness and accuracy of the underlying data and complete disclosure of all material and relevant information to the accountant.
- (b) Maintaining adequate accounting and other records and internal controls and selecting and applying appropriate accounting policies;
- (c) Preparation and presentations of financial statements in accordance with the applicable laws and regulations, if any.

- (d) Establishing controls to safeguard the assets of the entity and preventing and detecting frauds or other irregularities.
- (e) Establishing controls for ensuring that the activities of the entity are carried out in accordance with the applicable laws and regulations and preventing and detecting any non-compliance.

The compilation engagement was carried out by us in accordance with the Standard on Related Services (SRS) 4410, "Engagements to Compile Financial Information", issued by the ICAI.

Since the financial statements have been compiled for the Income Tax Department and have been drawn up on cash basis of accounting to reflect the necessary adjustments for computation of the income by the Department, these financial statements, accordingly, do not comply with the generally accepted accounting principles in India.

(This Para is required when such FS do not Comply with the Generally Accepted Accounting Practices in India)

The balance sheet and the profit and loss account are in agreement with the books of account. We have not audited or reviewed these financial statements and accordingly express no opinion thereon.

XYZ

Same as per Illustration 7

18	Illustrative format of Independent Auditor's Report on the Standalone Financial Statements of a Company under the Companies Act, 2013 and the Rules thereunder.
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18A	SA 700: Circumstances include the following:
1) Audit of a complete set of standalone general purpose financial statements of a company prepared under the Companies Act, 2013 financial reporting framework. 2) The terms of audit engagement reflect description of management's responsibility for the financial statements in SA 210, Agreeing the Terms of Audit Engagement. 3) The independent auditor: • Has given an <i>Unmodified Opinion</i> in respect of true and fair view of the financial statements; and • Has given <i>Emphasis of Matter paragraphs</i> in respect of: ◊ A lawsuit against the Company, the result of which is uncertain. ◊ A "material uncertainty" relating to going concern which has been adequately disclosed in the notes to the financial statements. 4) In addition to expressing opinion on the true and fair view of the financial statements, the auditor has other reporting responsibilities required under the Companies Act 2013 and/or other regulatory requirements, including the responsibility to report on internal financial controls pursuant to section 143(3)(i) of the Companies Act 2013.	

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABC COMPANY LIMITED
Report on the Standalone¹ Financial Statements

We have audited the accompanying standalone financial statements of ABC COMPANY LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 20XX, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information, [in which are incorporated the Returns for the year ended on that date audited by the branch auditors of the Company's branches at (location of the branches)]².

1. Where the Company does not have any requirement to prepare consolidated financial statements under the Companies Act 2013, in the auditor's report, the term Standalone financial statements", wherever appearing, would be replaced by the term "financial statements".
2. Where applicable

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 20XX, and its profit/loss and its cash flows for the year ended on that date.

Emphasis of Matters

We draw attention to the following matters in the Notes to the financial statements:

- (a) Note X to the financial statements which, describes the uncertainty related to the outcome of the lawsuit filed against the Company by XYZ Company.
- (b) Note Y in the financial statements which indicates that the Company has accumulated losses and its net worth has been fully / substantially eroded, the Company has incurred a net loss/net cash loss during the current and previous year(s) and, the Company's current liabilities exceeded its current assets as at the balance sheet date. These conditions, along with other matters set forth in Note Y, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, the financial statements of the Company have been prepared on a going concern basis for the reasons stated in the said Note.

Our opinion is not modified in respect of these matters.

Other Matter³

We did not audit the financial statements/information of _____ (number) branches included in the standalone financial statements of the Company whose financial statements / financial information reflect total assets of

Rs. _____ as at 31st March, 20XX and total revenues of Rs. _____ for the year ended on that date, as considered in the standalone financial statements. The financial statements/information of these branches have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2015, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by Section 143 (3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from the branches not visited by us³]
- (c) [The reports on the accounts of the branch offices of the Company audited under Section 143(8) of the Act by branch auditors have been sent to us and have been properly dealt with by us in preparing this report³.]
- (d) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account [and with the returns received from the branches not visited by us³].
- (e) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (f) The going concern matter described in sub-paragraph (b) under the Emphasis of Matters paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
- (g) On the basis of the written representations received from the directors as on 31st March, 20XX taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 20XX from being appointed as a director in terms of Section 164 (2) of the Act.
- (h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note XX to the financial statements; [or the Company does not have any pending litigations which would impact its financial position⁴]
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note XX to the financial statements; [or the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.⁴]
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company {or, following are the instances of delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company or there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company⁴}.

³ Where applicable.

⁴ As may be applicable.

For XYZ & Co
Chartered Accountants
(Firm's Registration No.)
Signature
(XXXXX X. XXXX)
(Designation)
(Membership No. XXXXX)
Place of Signature:
Date:

18B	SA 700: Circumstances include the following:
1) Same as per SA 18A. 2) Same as per SA 18A. 3) Same as per SA 18A. 4) In addition to expressing opinion on the true and fair view of the financial statements, the auditor has other reporting responsibilities required under the Companies Act 2013 and/or other regulatory requirements, but does not have the responsibility to report on internal financial controls pursuant to section 143(3)(i) of the Companies Act 2013.	

INDEPENDENT AUDITOR'S REPORT

Everything same as per format 18A except below clause (h) of "Report on Other Legal and Regulatory Requirements" which is not required, since auditor does not have the responsibility to report on internal financial controls pursuant to section 143(3)(i) of the Companies Act 2013.

~~(h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".~~

18C	SA 705: Circumstances include the following:
1) Same as per SA 18A. 2) Same as per SA 18A. 3) The independent auditor has issued a <u>Qualified Opinion</u> with respect to the true and fair view of the financial statements on account of misstatement of inventories. The misstatement is deemed to be material but not pervasive to the financial statements. 4) The independent auditor in addition to expressing an opinion on the true and fair view of the financial statements, the auditor has other reporting responsibilities required under the Companies Act 2013 and/or other regulatory requirements. <u>However, the auditor does not have the responsibility to report on internal financial controls pursuant to section 143(3)(i) of the Companies Act 2013.</u>	

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ABC COMPANY LIMITED
Report on the Standalone¹ Financial Statements

We have audited-----Same as per format 18A
Management's Responsibility for the Standalone Financial Statements-----Same as per format 18A
Auditor's Responsibility
 Our responsibility.....Same as per format 18A
 We have.....Same as per format 18A

We conducted.....**Same as per format 18A**

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, **but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls.** An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

Basis for Qualified Opinion

The Company's inventories are carried in the Balance Sheet at Rs. XXX (As at 31st March 20YY: Rs. YYY). The Management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from the Accounting Standard - 2 "Valuation of Inventories". The Company's records indicate that had the Management stated the inventories at the lower of cost and net realisable value, an amount of Rs. XXX (As at 31st March 20YY: Rs. YYY) would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by Rs. XXX (Previous year ended 31st March, 20YY: Rs. YYY), and income tax, profit for the year and shareholders' funds would have been reduced by Rs. X, Rs. XX and Rs. XXX, respectively (Previous year ended 31st March, 20YY: Rs. Y, Rs. YY and Rs. YYY, respectively). This matter was also qualified in our report/ the report of the predecessor auditors on the financial statements for the year ended 31st March 20YY.⁶

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 20XX, and its profit/loss and its cash flows for the year ended on that date.

Other Matter³

We did not.....**Same as per format 18A**

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2015, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by Section 143 (3) of the Act, we report that:

a)**Same as per format 18A**

b) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from the branches not visited by us].

c)**Same as per format 18A**

⁶ Where applicable and only in such case, disclosure of previous year figures is required - Attention of the readers is drawn to the provisions of Standard on Auditing (SA) 710, Comparative Information—Corresponding Figures And Comparative Financial Statements .

d)Same as per format 18A

(e) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(f) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

(g)Same as per format 18A

(h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

(i)Same as per format 18A

For XYZ & Co

Rest Same as per Format 18A

18D	SA 705: Circumstances include the following:
1) Same as per SA 18A. 2) Same as per SA 18A. 3) The auditor was unable to obtain sufficient appropriate audit evidence regarding an investment in a foreign affiliate. The possible effects of the inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the financial statement. The audit opinion is qualified for the misstatement. 4) In addition to expressing an opinion on the true and fair view of the financial statements, the auditor has other reporting responsibilities required under the Companies Act 2013 and/or other regulatory requirements. However, the auditor does not have the responsibility to report on internal financial controls pursuant to section 143(3)(i) of the Companies Act 2013.	

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABC COMPANY LIMITED
Report on the Standalone¹ Financial Statements

We have audited.....Same as per format 18A

Management's Responsibility for the Standalone Financial Statements

.....Same as per format 18A

Auditor's Responsibility

Our responsibility.....Same as per format 18A

We have.....Same as per format 18A

We conducted.....Same as per format 18A

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, **but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls.** An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

Basis for Qualified Opinion

ABC Company Limited's investment in XYZ Company, a foreign associate whose net worth has been fully / substantially eroded, is carried at Rs. XXX in the Balance Sheet as at March 31, 20XX. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC Company Limited's investment in XYZ Company as at March 31, 20XX because we were denied access to the financial information, management, and the auditors of XYZ Company. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the **possible effects**⁶ of the matter described in the Basis for Qualified Opinion paragraph,

the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31st March 20XX, and its profit/loss and its cash flows for the year ended on that date:

Other Matter³

We did not.....Same as per format 18A

Our opinion is not **qualified** in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2015, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by Section 143 (3) of the Act, we report that:

- a)Same as per format 18A
- b) Except for the **possible effects** of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from the branches not visited by us].
- c)Same as per format 18A
- d)Same as per format 18A
- (e) Except for the **possible effects** of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (f) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
- (g)Same as per format 18A
- (h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- (i)Same as per format 18A

For XYZ & Co

Rest Same as per Format 18A

⁶ Note the use of words "possible effects" as the auditor was unable to obtain sufficient appropriate audit evidence.

- 1) Same as per SA 18A.
- 2) Same as per SA 18A.
- 3) The independent auditor has issued an ***adverse opinion*** on the true and fair view of the financial statements on account of events that indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern which has not been disclosed in the financial statements (and notes thereto).
- 4) In addition to expressing an opinion on the true and fair view of the financial statements, the auditor has other reporting responsibilities required under the Companies Act 2013 and/or other regulatory requirements. **However, the auditor does not have the responsibility to report on internal financial controls pursuant to section 143(3) (i) of the Companies Act 2013.**

INDEPENDENT AUDITOR'S REPORT
 TO THE MEMBERS OF ABC COMPANY LIMITED
 Report on the Standalone¹ Financial Statements

We have audited-----Same as per format 18A

Management's Responsibility for the Standalone Financial Statements-----Same as per format 18A

Auditor's Responsibility

Our responsibility.....Same as per format 18A

We have.....Same as per format 18A

We conducted.....Same as per format 18A

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the standalone financial statements.

Basis for Adverse Opinion

The Company's financing arrangements expired and the amount outstanding was payable on March 31, 20XX. The Company has been unable to re-negotiate or obtain replacement financing and is considering filing for bankruptcy. These events indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements (and notes thereto) do not disclose this fact.

Adverse Opinion

In our opinion, because of the omission of the information mentioned in the Basis for Adverse Opinion paragraph, the financial statements do not give the information required by the Companies Act, 2013 in the manner so required and also do not give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31st March, 20XX, and its profit/loss and its cash flows for the year ended on that date.

Other Matter

We did not.....Same as per format 18A

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2015, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by Section 143 (3) of the Act, we report that:

- (a) We have sought and, except for the possible effects of the matter described in the Basis for Adverse Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) Except for the possible effects of the matter described in the Basis for Adverse Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from the branches not visited by us].
- (c) [The reports on the accounts of the branch offices of the Company audited under Section 143(8) of the Act by branch auditors have been sent to us and, except for the possible effects of the matter described in the Basis for Adverse Opinion paragraph above, have been properly dealt with by us in preparing this report³.]
- (d)Same as per format 18A
- (e) Except for the matter described in the Basis for Adverse Opinion paragraph above, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2013;
- (f) The matter described in the Basis for Adverse Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
- (g)Same as per format 18A
- (h) The adverse remarks relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Adverse Opinion paragraph above.
- (i)Same as per format 18A
- i.Same as per format 18A
- ii. Except for the possible effects of the matter described in the Basis for Adverse Opinion paragraph above, the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note XX to the financial statements; [or the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.]
- iiiSame as per format 18A

For XYZ & Co

Rest Same as per Format 18A

18F	SA 705: Circumstances include the following:
	1) Same as per SA 18A. 2) Same as per SA 18A. 3) The independent auditor has given a <u>disclaimer of opinion</u> on the financial statements on account of the fact that the auditor was unable to obtain sufficient appropriate audit evidence about multiple elements of the financial statements. That is, the auditor was unable to obtain audit evidence about the entity's inventories and accounts receivable. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the financial statements. 4) In addition to expressing an opinion on the true and fair view of the financial statements, the auditor has other reporting responsibilities required under the Companies Act 2013 and/or other regulatory requirements. <u>However, the auditor does not have the responsibility to report on internal financial controls pursuant to section 143(3) (i) of the Companies Act 2013.</u>

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABC COMPANY LIMITED
Report on the Standalone Financial Statements

We were engaged to audit the accompanying standalone financial statements of ABC Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 20X1, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information {in which are incorporated the returns for the year ended on that date audited by the branch auditors of the Company's branches at (location of branches)}.

Management's Responsibility for the Standalone Financial Statements-----Same as per format 18A

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with the Standards on Auditing under Section 143(10) of the Act.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were appointed as auditors of the Company after March 31, 20X1 and thus could not observe the counting of physical inventories at the beginning and end of the year. Accordingly, we were unable to satisfy ourselves by alternative means concerning the inventory quantities held at March 31, 20X0 and March 31, 20X1 which are stated in the Balance Sheet at Rs. XXX and Rs. XXX, respectively.

In addition, the introduction of a new computerised accounts receivable system in September 20X0 resulted in numerous errors in accounts receivable. As of the date of our audit report, Management was still in the process of rectifying the system deficiencies and correcting the errors. We were unable to confirm or verify by alternative means accounts receivable included in the Balance Sheet at a total amount of Rs. XXX as at March 31, 20X1.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and accounts receivable in the Balance Sheet, and the corresponding elements making up the Statement of Profit and Loss and Cash Flow Statement.

Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Other Matter

We did not audit the financial statements/information of _____(number) branches included in the standalone financial statements of the Company whose financial statements / financial information reflect total assets of Rs. _____ as at 31st March, 20X1 and total revenues of Rs. _____ for the year ended on that date, as considered in the standalone financial statements. The financial statements/information of these branches have been audited by the branch auditors whose reports have been furnished to us.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2015, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by Section 143 (3) of the Act, we report that:

- (a) As described in the Basis for Disclaimer of Opinion paragraph, we sought but were unable to obtain all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) Due to the possible effects⁵ of the matter described in the Basis for Disclaimer of Opinion paragraph, we are unable to state whether proper books of account as required by law have been kept by the Company so far as appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from branches not visited by us]⁶;

(c) -----**Same as Per Format 18A**

(d) Due to the possible effects⁸ of the matter described in the Basis for Disclaimer of Opinion paragraph, we are unable to state whether the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account [and with the returns received from branches not visited by us]⁹;

(e) Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph, we are unable to state whether the aforesaid financial statements comply with the Accounting Standards under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014;

(f) The matter described in the Basis for Disclaimer of Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

(g) On the basis of written representations received from the directors as on March 31, 20X1, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 20X1, from being appointed as a director in terms of section 164(2) of the Act.

(h) The reservation relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Disclaimer of Opinion paragraph above.

(i) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph, we are unable to state whether the Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note XX to the financial statements;

ii. Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph, we are unable to state whether the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note XX to the financial statements;

iii.**Same as per format 18A**

For XYZ & Co

Rest Same as per Format 18A

19	Illustrative format of Independent Auditor's Report on the Consolidated Financial Statements of a Group under the Companies Act, 2013 and the Rules thereunder.
19A	SA 705: CLEAN OPINION: Circumstances include the following:
Note: The following illustrative format is based on the assumptions that: The Group has: (1) Certain components which have been audited by auditor/s other than the Principal Auditor and such component/s is/ are material to the consolidated financial statements of the Group. The auditors of such components which are Indian companies, there is no requirement to report on section 143(3)(i) of the Companies Act, 2013 and they did not have any matter to report under section 143(3)(f) of the Companies Act, 2013. (2) Certain components which are unaudited and such component/s is/ are not material to the consolidated financial statements of the Group.	

(3) The independent auditor of Consolidated Financial Statements:

- Gives an Unmodified Opinion on the consolidated financial statements
- Disclosed the aforementioned facts about the Components in the “Other Matters” Paragraph in accordance with the Announcement issued by the Auditing and Assurance Standards Board under the authority of the Council of ICAI in February 2014
- Does not have the responsibility to report on internal financial controls pursuant to section 143(3)(i) of the Companies Act 2013.

INDEPENDENT AUDITOR’S REPORT

To the Member of ABC Company Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ABC COMPANY LIMITED (hereinafter referred to as “the Holding Company”) and its subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”) its associates and jointly controlled entities, comprising of the Consolidated Balance Sheet as at 31st March, 20XX, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as “the consolidated financial statements”).

Management’s Responsibility for the Consolidated Financial Statements

The Holding Company’s Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as “the Act”) that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company’s preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company’s Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its associates and jointly controlled entities as at 31st March, 20XX, and their consolidated profit/loss and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note X to the consolidated financial statements which, describes the uncertainty related to the outcome of the lawsuit filed against the Holding Company by XYZ Company.

Our opinion is not modified in respect of this matter.

Other Matters

- (a) We did not audit the financial statements / financial information of _____ subsidiaries, and _____ jointly controlled entities, whose financial statements / financial information reflect total assets of Rs. _____ as at 31st March, 20XX, total revenues of Rs. _____ and net cash flows amounting to Rs. _____ for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit/loss of Rs. _____ for the year ended 31st March, 20XX, as considered in the consolidated financial statements, in respect of _____ associates, whose financial statements / financial information have not been audited by us. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associates, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries, jointly controlled entities and associates, is based solely on the reports of the other auditors.
- (b) We did not audit the financial statements / financial information of _____ subsidiaries and _____ jointly controlled entities, whose financial statements / financial information reflect total assets of Rs. _____ as at 31st March, 20XX, total revenues of Rs. _____ and net cash flows amounting to Rs. _____ for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit/loss of Rs. _____ for the year ended 31st March, 20XX, as considered in the consolidated financial statements, in respect of _____ associates, whose financial statements / financial information have not been audited by us. These financial statements / financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associates, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, jointly controlled entities and associates, is based solely on such unaudited financial statements / financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements / financial information are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding company, subsidiary companies, associate companies and jointly controlled companies incorporated in India, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 20XX taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, associate companies and jointly controlled companies incorporated in India, none of the directors of the Group companies, its associate companies and jointly controlled companies incorporated in India is disqualified as on 31st March, 20XX from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and jointly controlled entities – Refer Note XX to the consolidated financial statements.
Or
There were no pending litigations which would impact the consolidated financial position of the Group, its associates and jointly controlled entities.
 - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer (a) Note XX to the consolidated financial statements in respect of such items as it relates to the Group, its associates and jointly controlled entities and (b) the Group's share of net profit/loss in respect of its associates.
Or
The Group, its associates and jointly controlled entities did not have any material foreseeable losses on long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, associate companies and jointly controlled companies incorporated in India.
Or
Following are the instances of delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies, associate companies and jointly controlled companies incorporated in India .
Or
There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies, associate companies and jointly controlled companies incorporated in India.

Place of Signature:

For XYZ & Co

Date:

Chartered Accountants

(Firm's Registration No.)

Signature

(Name of the Member Signing the Audit Report)

(Designation)

(Membership No. XXXXX)

19B

SA 705: Qualified Opinion: Circumstances include the following:

Note:

The following illustrative format is based on the assumptions that:

The Group has:

(1) Certain components which have been audited by auditor/s other than the Principal Auditor and such component/s is/ are material to the consolidated financial statements of the Group. The auditors of such components which are Indian companies, there is no requirement to report on section 143(3)(i) of the Companies Act, 2013.

(2) ----Same as per Format 19A----

(3) The independent auditor of Consolidated Financial Statements:

- Has issued a **Qualified Opinion** with respect to the true and fair view of the financial statements on account of misstatement of inventories and unaudited financial statements of a branch of a subsidiary. The misstatement is deemed to be material but not pervasive to the financial statements.

- ----Same as per Format 19A---

- ----Same as per Format 19A---

INDEPENDENT AUDITOR'S REPORT

To the Member of ABC Company Limited

Report on the Consolidated Financial Statements

We have audited-----Same as per Format 19A

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility-----Same as per Format 19A

Basis for Qualified Opinion

(a) The inventories are carried in the Consolidated Balance Sheet at Rs. XXX (As at 31st March 20YY: Rs. YYY). In one of the subsidiaries of the Holding Company, the other auditor who audited the financial statements / financial information of the subsidiary has reported that the Management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from the Accounting Standard - 2 "Valuation of Inventories". The report of the other auditor states that

had the Management stated the inventories at the lower of cost and net realisable value, an amount of Rs. XXX (As at 31st March 20YY: Rs. YYY) would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by Rs. XXX (Previous year ended 31st March, 20YY: Rs. YYY), and income tax, profit for the year, minority interest and shareholders' funds would have been reduced by Rs. X, Rs. XX, Rs. AA and Rs. XXX, respectively (Previous year ended 31st March, 20YY: Rs. Y, Rs. YY, Rs. ZZ and Rs. YYY, respectively). This matter was also qualified in our report/ the report of the predecessor auditors on the consolidated financial statements for the year ended 31st March 20YY.¹

- (b) In case of one of the subsidiaries of the Holding Company not audited by us, the other auditor who audited the subsidiary has reported that they did not audit the financial statements/information of _____ (number) branches of the subsidiary whose financial statements / financial information reflect total assets of Rs. _____ as at 31st March, 20XX and total revenues of Rs. _____ for the year ended on that date, as considered in these consolidated financial statements. The financial statements/information of these branches is pending audit by their branch auditors whose reports have not yet been furnished to the auditors of the subsidiary, and their opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the unaudited information provided by the Management of the subsidiary.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its associates and jointly controlled entities as at 31st March, 20XX, and their consolidated profit/loss and their consolidated cash flows for the year ended on that date.

Other Matters-----**Same as per format 19A**

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding company, subsidiary companies, associate companies and jointly controlled companies incorporated in India, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
 - (a) We have sought and, except for the possible effect of the matter described in sub-paragraph (b) of the Basis for Qualified Opinion above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c) Except for the matter described in sub-paragraph (b) of the Basis for Qualified Opinion paragraph above, the reports on the accounts of the branch offices of the Holding Company, and its subsidiaries, associate companies and jointly controlled companies incorporated in India, audited under Section 143 (8) of the Act by branch auditors have been sent to us / the other auditors, as applicable, and have been properly dealt with in preparing this report.
 - (d) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (e) In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 4
 - (f) The matters described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an

adverse effect on the functioning of the Group.

- (g) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 20XX taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its subsidiary companies, associate companies and jointly controlled companies incorporated in India, except for __ (number) director/s of __ (number) of the Group's subsidiary company /ies /, associate company/ies and jointly controlled company/ies incorporated in India who are disqualified from being appointed as a director in terms of Section 164(2) of the Act, none of the other directors of the Group's companies, its associate companies and jointly controlled companies incorporated in India is disqualified as on 31st March, 20XX from being appointed as a director in terms of Section 164 (2) of the Act. The list of subsidiary company/ies, associate company / ies, jointly controlled companies incorporated in India where the disqualification arose and the respective directors are stated below:

XXXXXXX

- (h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. Except for the possible effect of the matter described in sub-paragraph (b) of the Basis of Qualified Opinion above, the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and jointly controlled entities – Refer Note XX to the consolidated financial statements.

Or

Except for the possible effect of the matter described in sub-paragraph (b) of the Basis of Qualified Opinion above, there were no pending litigations which would impact the consolidated financial position of the Group, its associates and jointly controlled entities.²

- ii. Except for the possible effect of the matter described in sub-paragraph (b) of the Basis of Qualified Opinion above, provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer (a) Note XX to the consolidated financial statements in respect of such items as it relates to the Group and (b) the Group's share of net profit/loss in respect of its associates.

Or

Except for the possible effect of the matter described in sub-paragraph (b) of the Basis of Qualified Opinion above, the Group, its associates and jointly controlled entities did not have any material foreseeable losses on long-term contracts including derivative contracts.

- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies, associate companies and jointly controlled companies incorporated in India.

Or

Following are the instances of delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies, associate companies and jointly controlled companies incorporated in India.

Or

There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies, associate companies and jointly controlled companies incorporated in India.

For XYZ & Co

Same as per format 19A

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