CARO, 2015

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Section 143(11)

The audit report of certain class of companies shall include a statement of certain specified matters.

APPLICABLE FROM:-F.Y starting from 1 April, 2014.

APPLICABLE ON:- on every company including foreign company except following companies:-
2(42)

S.NO.	NAME OF TYPE OF COMPANY	DESCRIPTION
1.	BANKING COMPANY	as defined in section 5(c) of Banking Regn Act, 1949.
2.	INSURANCE COMPANY	as defined by Insurance Act, 1938.
3.	SECTION 8 COMPANY	– Chartitable
4.	ONE PERSON COMPANY	Sec.2(62)
5. ✱	SMALL COMPANY (### following companies shall not qualify as SMALL COMPANY:- (a) A holding or a subsidiary company	Sec.2(85), (a) paid up share capital does not exceed 50 lakh. (or such higher as may be prescribed but shall Not be More than 5 crore) +

Amended definition Companies (Removal of difficulties) order, 2015

Foriegn Company
2(42)

Means any Company or Body corporate incorporated outside India :-

(a) has a place of B/s in India whether by itself or through an agent, physically or Electronic medium.

And

(b) Conducts any business activity in India in any other manner.

	(b) A company regd. Under section 8 (c) A company or body governed under a special act.	(b) turnover as per last p&l does not exceed 2 crore. (—"— —"— —"— 20 (crore)
6.	**PRIVATE COMPANY**	Only if each of the following conditions satisfy:- (a) Paid up capital+reserve not more than 50 lakh. + (b) Does not have outstanding loan exceeding 25 lakh from any bank or financial institution. + (c) Does not have turnover exceeding 5 crore at any point of time during F.Y.

CLAUSE 3(i) FIXED ASSETS

(A) PROPER RECORDS

Whether the company is maintaining proper records Showing full particulars, including quantitive details and Situation of fixed Assets.

(B) PHYSICAL VERIFICATION

Whether physically verified by mangt. at Reasonable Intervels;

Whether any Material discrepancies were noticed ifso, whether the Same have been dealt properly in Books of account.

CLAUSE 3(ii) INVENTORY

(A) PHYSICAL VERIFICATION

Whether physical verification of inventory by Mngt.
— at Reasonable Intervel of time.

(B) ADEQUECY OF PROCEDURE

⇓

Whether Reasonable and Adequate in relation to Size of Company And Nature of business.

If Not

⇒ Inadquecy in procedures Should be Reported.

(C) ADEQUECY OF RECORDS

- whether propec Records ??
- whether material discrepency Noticed ??
- whether the Same have been properly dealt within the books of account ??

CLAUSE 3(iii) LOAN GIVEN BY COMPANY

(A) REGULAR RECOVERY

"Principle & Intrest" Recovery is regular or not ??

(B) STEPS FOR RECOVERY

If overdue amount is more than 1 Lakh,

↓

whether Reasonable Steps have been taken by company ??

CLAUSE 3(iv) INTERNAL CONTROL SYSTEM

(A) ADEQUATE INTERNAL CONTROL SYSTEM

- Is there adequate I.c System Commensurate withe Size of company & Nature of business.

for → pur. of Inventory
→ pur of fixed Assets
→ for Sale of goods & services.

(B) CORRECTION OF WEAKNESS

– Whether there is continuing failure to correct major weakness in Internal control system ??

CLAUSE 3(v) DEPOSITS

In case company accepted deposits, whether the following has been complied with:-

** If any of above not complied then the Nature of Contravention should be stated }

(A) Directives issued by RBI

(B) The provisions of sec 73 to 76 or other relevant provisions of the act (Com Act, 2013 & Rule thereof)

(C) Orders if any, passed by CLB,NCLT,RBI,ANY COURT or TRIBUNAL.

CLAUSE 3(vi) COST RECORDS

SEC 148(1) whether such accounts or records have been made.

(C.A specified for some companies)

CLAUSE 3(vii) STATUTORY DUES

(A) STATUTORY DUES FOR MORE THAN 6 MONTHS

– Is Company is Regular in payment of Statutary dues ??

– on the last day of Financial Statement whether dues are outstanding for a period of more than 6 months ??

Statutory dues:-

Undisputed.

⇓

point No.(a)

disputed.

⇓

point No.(b)

e.g

(1) ~~prov~~ provident funds (PF)

(ii) employees' state insurance (ESI)

(ii) Income Tax.

(iii) Sales Tax, Excise duties, VAT cess, any other statutory dues.

(B) DISPUTE FOR TAX AND DUES

- If have not been deposited on account of Any dispute → ① the Amount involved
② forum where dispute is pending.

⊛ Mere Representation to concerned department shall not Constitute dispute.

(C) TRANSFER OF FUNDS TO IEPF

→ in accordance with provisions & Rules have been transferred to such fund ??

CLAUSE3(viii) CASH AND ACCUMLATED LOSSES. {IN CASE OF COMPANY REGISTERED NOT LESS THEN 5 YEARS}

(A) ACCUMLATED LOSSES

- whether accumlated lossess at the end of f.y are not less than 50% of Net worth.

(B) CASH LOSSES

- whether such company incurred cash losses
⇒ In such f.y
&
⇒ In immediately preceding f.y.

CLAUSE 3(ix) REPAYMENT OF DUES.

- Whether the company has been defaulted in Repayment of dues to – FI or Bank or debenture holders.

- If yes, ① period and ② amount of default to be Reported.

CLAUSE 3(x) GURANTEE FOR LOANS

- Whether the Company has given any gurantee for Loan taken by others from Bank or FI. ?

- whether the terms & conditions thereof are prejudicial to the intrest of Company.

CLAUSE 3(xi) USAGE OF TERM LOAN

- whether ~~for~~ used for the purpose for which Loans were taken ??

CLAUSE 3(xii) REPORTING OF FRAUD

→ Whether any fraud on or by Company has been noticed or reported during the year ??

→ If yes, ① the Nature.
&
② Amount involved.

PARA, 4

REASONS TO BE STATED FOR UNFAVORABLE OR QUALIFIED ANSWERS……..

(1) UNFAVRABLE OR QUALIFIED ANSWERS:

If any answer in para 2, is unfavrable or qualified,
⇒ the auditor's Report shall also state the Reasons of such unfavrable or qualified answers.

(2) UNABLE TO EXPRESS OPINION

~~Whether~~
where the Auditor unable to express any opinion in answers to a particular quetion,

Then

His Report should indicate such fact together with Reasons why it is not possible for him to give answer to such quetion.

Simple Way to Memorise 12 points :-

Inventory Internal controls.

Hello!! Mr. F I L I

Fixed Assets Loans

स्माले !! Deposit

क्या ??

- Cost
- Statutory Dues.

अच्छा !!

Cash & Accumlated Dues है।

Q. Repayment of Dues ???

तो फिर "Gurantee for Loan" क्यों दे रहे हैं।

- Usage of Term Loan ??
- मुझे लगता है "Fraud".

Put your Any query

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