

CARO 2016

CA FINAL VINAYAK SHARMA

Applicability of CARO 2016

CARO 2016 apply to all companies including foreign companies except the following

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- (a) Banking Company
 - (b) Insurance Company
 - (c) Company licensed to operate u/s 8
 - (d) One Person Company
 - (e) Small Company
 - (f) Private limited Company (not being a subsidiary or holding of public co)
 - Paid up capital + Reserves & Surplus $\leq$ 1Cr. (as on Balance Sheet Date)
 - +
 - Total borrowings from Bank & F.I. $\leq$ 1Cr. (at any point of time during the FY)
 - +
 - Total revenue as disclosed in Schedule III $\leq$ 10 Cr. (for the FY)

Important Notes

1. CARO not apply over audit report on Consolidated F.S.
2. Provisions of CARO are equally applicable in case of branches.
3. Paid up capital includes equity as well as Preference.
4. Reserves include all types of reserves & P & L Balance.
5. All Loans (secured/unsecured, long term/short term, etc.) are to be considered and in aggregate.
6. F.I. includes NBFC.
7. Total Revenue comprises of Revenue from Operations and Other Income.

Matters to be reported under CARO 2016 (Para 3)

Para	Reporting Area	Reporting Requirements
3(i)	Fixed Assets	- Whether proper records maintained. - Whether physical verification has been conducted at reasonable intervals by mngt. - Whether material discrepancies noticed and if so, whether dealt properly in books. - Title deeds of immovable properties are held in name of Co., if not provide details.
3(ii)	Inventories	- Whether physical verification has been conducted at reasonable intervals by mngt. - Whether material discrepancies noticed and if so, whether dealt properly in books.
3(iii)	Loans and Advances	Whether loans have been granted to companies, firms, LLP covered u/s 189. If so, (a) T & C are not prejudicial to the company's interest; (b) Schedule of repayment of principal & payment of interest has been stipulated; (c) State the total amount overdue for > 90 days.
3(iv)	Compliance of Provisions of Sec. 185 & 186	- In respect of loans, investments, guarantees, and security - If not, provide the details thereof.
3(v)	Public Deposits	- Directives by RBI and Sec. 73 to 76 complied with. If not - nature of contravention. - Order passed by CLB/RBI/Court/Tribunal-Whether complied with or not.
3(vi)	Cost Records	Whether Specified u/s 148(1); whether accounts and records made and maintained.
3(vii)	Statutory Dues	- Whether undisputed PF, ESI, IT, ST, Custom, Excise, VAT, cess & Other – paid regularly. If Not outstanding >6 months as on Balance Sheet Date. - W.r.t. disputed IT, ST, Custom, Excise, VAT – State Amount involved & forum
3(viii)	Repayment of Dues	- Whether co. default in repayment of dues – F.I., Bank, Govt., Debenture holders. - If Yes – Nature and Amount of Default.
3(ix)	Money raised by public issue & term loans	- Whether money Raised by IPO/FPO/term Loans – applied for stated purpose. - If Not – details along with delay and subsequent ratification be reported.
3(x)	Fraud	- Whether any fraud by company or on company by its officers/employees-noticed or reported. - If Yes – Nature and amount to be stated.
3(xi)	Managerial remuneration	- Whether managerial remuneration has been paid with requisite approvals u/s 197. - If Not, amount involved and steps taken for securing refund to be reported.
3(xii)	Nidhi Companies	- Whether the net owned funds to deposits ratio 1:20. - Whether 10% unencumbered term deposits maintained..
3(xiii)	Transaction with Related Parties	- Whether transactions with related parties are in compliance with Sec. 177 & 188. - Whether details disclosed in F.S. as required by applicable AS.
3(xiv)	Preferential Allotment	- Whether any preferential allotment of shares/FCD/PCD has been made. - If so, whether Sec. 42 complied with and amount raised used for stated purpose. - If Not – provide details of amount involved and nature of non compliance.
3(xv)	Non cash transactions with Directors	- Whether co. has entered into non cash transactions with directors. - If so. Whether Sec. 192 has been complied with.
3(xvi)	Registration with RBI	Whether regn. required u/s 45IA of RBI Act, 1934. If So- whether regn. obtained.