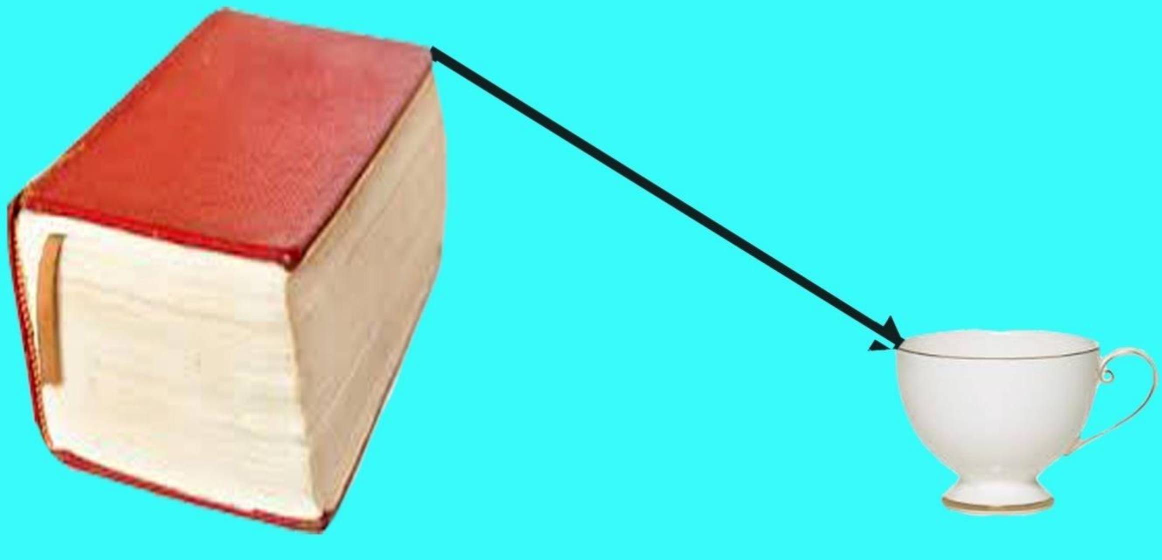
CA FINAL my notes

A book my MD IMRAN.
An author, translating the Sea in to just a cup of Tea.



Advance Auditing and Professional Ethics.

This book will be very use full for CA Students and CA. This notes containing just Two chapter from my book , **Company audit** and **Tax audit**.

My notes

It is holistic coverage of all chapter of CA FINAL AUDIT. In spite of holistic coverage this book is shortest book ever published. Do you know why?

1. Formally Standards on auditing chapter divided in more than 10 parts as Objective, Applicability, Purpose, Meaning, content, Specimen, Requirement, Management responsibilities, Auditor's Responsibilities, Illustration, Reporting Requirement & more than 100 Reference in A single Standards on auditing.
   But this book contains a holistic introduction covering every aspect & Audit Procedure, which is relevant for us.
2. **This book contain a recall section after Remember 100 pages of this book you would be able to recall & revise from just 10 pages of recall section.**
3. **100% of this book is in mnemonics forms which is very interest and related to topic.**
4. **This book cover almost complete Practice manual, Past paper & Revision Test paper.**
5. **Whole book will be printed on your finger, you will be able to remember not merely section but also clause.**

Recall section

Chapter-1 Other Chapter	
1.	**Companies audit section 123-147**

205A-205C DADU GII Should be transfer to IEPF.
127- NODAD not default if dividend not paid within 30 days
128- Book of accounts can be maintain in electronic mode in a manner as prescribed in rule- 3 **BRICKS**

134(3) Content of Boards report

END FDN ELRS in RDMC & RCE

Mn	E	N	D	F	D	N	E	L	R	S	R	D	M	C	R	C	E
cl	a	B	c	ca	d	e	f	g	h	i	j	k	l	m	n	o	p

134(5) Director Responsibilities Statements

Director responsibilities statement shall disclose : AAJ PG *kal* ID

Mnemonics	A	AJ	P	G	I	D
Clause	a	b	c	d	e	f

135 CSR:App-NNT:5/500/1000, Duties- FRMI, Not CSR activity- NPO_2

139: FURNISHING OF CERTIFICATE AND CONSENT BY AUDITOR ON APPOINTMENT.
Rule-4 LPP Eligible.

Section 141(3) : Disqualification:- BOP & SIG *ne mil kar* **BRFC** *kar dia* **144** *laga kar*

Mnemonics	B	O	P	SIG	B	R	F	C	144
Clause	a	b	c	d	e	f	g	h	i

143(1) Duties to make inquiry. LTILPC

Mnemonics	L	T	I	L	P	C
Clause	a	b	c	d	e	f

143(3)Duties to make report - I B_2A_3D MIS

Mnemonics	I	B	B	A	A	A	D	M	I	S
Clause	a	b	c	d	e	f	g	h	i	j

144 Auditor not to render certain cervices
IMRAN IAD AI

Ceiling limit under companies act 2013					
Section	Particular	**Deposit**	**Paid up share capital**	**Borrowing or loan**	**Turnover**
	Mnemonics	*D*	*Profit*	*Before*	*Tax*

138	**Internal audit**				
	Listed public co.				
	Unlisted public co.	≥25	≥50	≥100	≥200
	Private Co.	----	----	≥100	≥200
			Profit	Before	Tax
			Paid up share capital	**Borrowing , loans, debenture & deposit**	**Turnover**
177 178 149	**Audit committee** **Nomination & remu.co,** **Independent Director**				
	Listed public co.				
	Unlisted public co.		≥10	≥50	≥100
149	**Women director**				
	Listed public co.				
	Unlisted public co.		≥100	-----	≥300
204	**Secretarial audit**				
	Listed public co.				
	Unlisted public co.		≥50	-----	≥250
XBRL	**XBRL rule 2015**				
	Listed public co.				
	Unlisted public co.		≥5	----	≥100
	Private Co.		≥5	----	≥100
			Net profit	**Net worth**	**Turnover**
135	**Corporate social responsibilities**		≥5	≥500	≥1000
136	**Circulation of financial statement**		----	>1	>10

CARO 2016

1. **Exempted class of companies**
   - Banking companies
   - Insurance companies
   - u/s 8 companies
   - one person companies
   - small companies
   - private companies (not being subsidiary or holding of public companies) and following condition should be satisfied:
     - Paid up Share capital + **Reserve and Surplus*** ≤ 1 crore
     - Borrowing ≤ 1 Crore

	♦ Turnover** ≤ 10 Crore (including revenue from discontinuing operation) Law meaning ≥ means should not be less than. ≤ means should not exceed. < means less than > means more than.
16.	**Audit under fiscal law**

Chapter -1 Other Chapter

CH-1 Companies audit section 123-147

Section	Particular
DECLARATION AND PAYMENT OF DIVIDEND	
2(35)	**Meaning of dividend**
	Dividend refers to that portion of profit which is distributed among shareholder. Dividends mean final dividend and interim dividend. Final dividend declared after closing of book that is after closing of financial year whereas interim dividend means dividend distributed in between two AGM. To declare dividend, first it is recommended by board than it require approval of share holder in general meeting. Declaration of dividend is an item of ordinary resolution. Member at AGM may declare dividend at lower than rate or amount recommended by board but they cannot increase it. AOA which authorise to declare dividend at higher than rate recommended by board is void.
123	**Condition for declaration and payment of dividend**
	Dividend can be distributed out of current year profit, brought forward profit, and grant from government. Carry forward and unabsorbed losses to be set off before declaration of dividend. There is no any condition to transfer to general reserve before declaration of dividend, A company may transfer such appropriate percentage of profit to reserve as it may deem fit. If in current year there is loss, then there is no any condition for declaration of dividend out of carry forward surplus in profit of loss, but there are following condition for declaration of dividend out of free general reserve:- a) Dividend rate should be less than average rate of dividend declared in 3PFY. b) Maximum permissible withdrawal from general reserve is 10% of (paid up share capital + free reserve). c) First set off carry forward losses from above withdrawal reserve. d) Balance in the general reserve should not be less than 15% of paid up share capital.
123(3)	**Interim dividend** can be declared by board out of surplus in P&L account or Profit of current financial year. Rate of dividend should be less than average rate of dividend declared in 3PFY.
205A to 205C	**Unpaid dividend and investor education protection fund.** **DADU GII (Deposits, Application money, Debenture, Unpaid, Grant, Interest of DADU, Interest or other income)**
	Transfer to DADU GII to IEPF if it remains unpaid for 7 year. **Deposits due but remain unpaid** **Application money pending for refund.** **Debenture due but remain unpaid.** **Unpaid dividend.** **Grant due for refund.** **Interest of DADU** **Interest or other income** A dividend remaining unpaid or unclaimed for 30 day or more shall be transferred to separate bank account known as unpaid dividend account with in 7days. Interest @ 12% payable by company for delay in making above transfer.
126	**Dividend, etc to be held in abeyance**
	If transfer is pending and transferor has not authorised to transferee to receipt dividend it shall be kept in abeyance
127	**Failure to distribute dividend within 30 days.**

	Dividend shall be transfer to separate bank account within 5 days from date of declaration of dividend, and it should be paid within 30 days from date of declaration of dividend. If company failed to pay within 30 days then company would be liable to pay interest @ 18% pa. If director is knowingly a party of default then he would be liable for penalty not less than 1000 per day during which failure continues & imprisonment which may extend to 2 year. If dividend transferred to separate bank account remains unpaid for 30 days then transfer to unpaid dividend account within 7 days. If it remains unpaid for 7 year in unpaid dividend account then transfer it to IEPF. However there is no default if NODAD not paid within 30 days. **NODAD (Non- Payment without co. Default, Operation of any Law, Disputed, Adjusted against any due, Direction give to the companies but same has not been complied and it is communicated to shareholder)**

ACCOUNTS OF COMPANIES

128 — Location, manner, period of maintenance and inspection of books of accounts

The book of accounts shall be kept at registered office; however it may be kept at other place but should be informed to ROC within 7 days. The books of accounts shall be maintained on accrual basis and double entry accounting system should be followed. Maintained in a manner so as to give true and fair view. It shall be kept and maintain for 8 year.

Book of accounts can be maintain in electronic mode in a manner as prescribed in rule- 3

BRICKS

- Books of accounts remain accessible in INDIA.
- Retain in a form in which it is originally generated.
- Information receipt from branches should not be altered.
- Capable of being displayed in a legible form.
- Keep proper system of storage, retrieval, Display and printout.
- Server should also be physically located in INDIA.

  Intimate to registrar **NIL** on annual basis. (**N**ame of service provider, **I**P Address, **L**ocation of Service provider)

INSPECTION OF BOOKS OF ACCOUNTS

The books of accounts can only be inspected by director during business hour. Member / shareholder is not entitle to inspect books of accounts even hold entire share capital unless authorised by board, member in general meeting or article of association provides.

129 — Financial Statement

It consist B/S, SPL, CFS, Statement of change in equity and annexure forming part of above. It should be complied with accounting standards, if departure from accounting standards then deviation, reasons and effect should be disclosed. It should be signed by Chairperson it he authorised otherwise two director one of whom shall be managing director and also by CEO,CFO and CS (if appointed).

134 (3) — *Content of Boards report*

END FDN ELRS in RDMC & RCE

Mnemonics	E	N	D	F	D	N	E	L	R	S	R	D	M	C	R	C	E
clause	a	b	c	ca	d	e	f	g	h	i	j	k	l	m	n	o	p

(Extract of annual return, Number of board meeting, Director Responsibilities Statement, Fraud Reported by auditor, Declaration given by independent auditor, Nomination remuneration committee, Explanation on every qualification reservation or adverse remarks makes by auditor or CS, Loan, Related parties, State of companies affairs, Reserve created, Dividend recommended, Material change and commitment, Conservation of energy-technology absorption-foreign exchange earnings and outgo, Risk management policy, Corporate Social Responsibilities, Evaluation by board it own performance.)

134(5) — *Director Responsibilities Statements*

Director responsibilities statement shall disclose : AAJ PG *kal* ID

Mnemonics	A	AJ	P	G	I	D
Clause	a	b	c	d	e	f

(Accounting Standards, Accounting policies, Judgments and estimates, Proper and Sufficient care, Going concern basis, Internal financial control, Devised proper systems to ensure compliance)

135 — Corporate Social Responsibilities. — **App- N/N/T-5/500/1000 Duties-**

		FRMI, Not CSR- NPO_2
	Responsibilities to expenses 2% percentage of net profit made during 3 immediate PFY for welfare of social, education, force, sports, technology, etc. **Applicability:-** If company have Net profit, Net worth & Turnover -5/500/1000 Crore respectively in any of the financial year. Ones applicable will continue to apply unless company cease to full all the above criteria for consecutive 3FY. **Duties of CSR committee:- FRMI** Formulate CSR policy, Recommend the amount to be expenses on CSR activity, Monitor CSR policy & Institute transparent monitoring policy. **Activity not amounting to CSR activity:- NPO_2** Normal course of business, political party, outside INDIA, own employee.	
136	**Circulation of financial statement.**	**21/14 Days**
	Circulate FS, CFS, Auditor's report within 21/14 days to every member, trustee and other who entitled to receipt. *14 day for u/s 8 co, and for other 21 days.*	
137	**Filling of financial statement and other with the registrar.**	**30/180 Days**
	Every company shall file financial statement with the ROC within 30 days of AGM irrespective of AGM held, not held, adjourned, etc. However in case of one person company it is 180 days	
138	**Internal audit.**	**App- DPBT-25/50/100/200**
	DEFINITION Independent management function of examination of financial, operation and administrative aspect for evaluation of internal control, risk management, value addition to TCWG. **Applicability** For every listed company, every unlisted public company having DPBT- 25/50/100/200 *respectively* crore or more at any point of time during PFY. (DPBT (*D profit before tax*): Deposit, Paid up capital, borrowing, turnover) **Eligibility** Chartered accountant or cost accountant.	

AUDIT AND AUDITORS

139	**Appointment, Reappointment and rotation of auditor.**

Every company shall appoint Auditor at first AGM and on subsequent AGM when previous auditor completed his tenure or on vacancies for every financial year.

Concept of rotation of auditor

Concept of rotation of auditor applicable on for listed company and ***certain prescribed company*** *(all unlisted public company having PUSC of Rs. 10 crore of more; all private limited company having PUSC of Rs. 20 crore or more and company other than above but having borrowing from financial institution of Rs 50 core or more)*. Rotation of auditor means a company is required to change his auditor on completion of specified period of time for certain period of time. Currently, maximum period for which an individual can be appointed a auditor of a company is one term of 5 consecutive year and firm for two term of 5 consecutive year, there after such auditor (individual or firm) would not be eligible for appointment in the same company for 5 year, it is known as cooling period of 5 year.

However appointment is not made for 5/10 year that is it would be ratified at every AGM for every year but tenure of office of auditor doesn't expire on the last date on which AGM was due to be held, so if AGM is not held auditor can continue his office.

Procedure for appointment of auditor

1. Qualification and experience of proposed auditor will be consider by board or audit committee (in case co. Require to constitute AC)
2. Board or audit committee shall regard to any order passed or proceeding pending for professional misconduct against the proposed Audior.
3. In case the company is not required to constitute audit committee board shall consider and recommend an individual or firm as auditor to member in AGM.
4. In case company is required to constitute to audit committee
   - Audit committee shall consider and recommend an individual or firm as auditor to board.
   - Board shall consider the recommendation of AC and make their own further recommendation if agrees.
   - If board disagree then refer back the recommendation to AC for consideration by citing reason.
   - If board continue to disagree then AC record reason for disagreement and send it own recommendation for consideration at AGM.
   - If board agrees then shall recommend the name of individual or firm at AGM as recommended by Audit committee.

Time period

Appointment of first auditor				
	By CAG	**By BOD**	**By Share holder**	**Total**
Government Co.	Within **60** days	Next **30** days, Where CAG failed to do so.	Next **60** days	150 days,
Other then Govt. Co.	NA	Within **30** days,	Next **90** days	120 days,

Appointment of Subsequent auditor	**Time limit**
Government Co.	**Within 180 days from commencement of the financial year.**
Other then Govt. Co.	

	Filling of casual vacancies. <table><tr><td></td><td>**By CAG**</td><td>**By BOD**</td></tr><tr><td>**Government Co.**</td><td>Within 30 days</td><td>Next 30 days, Where CAG failed to do so.</td></tr><tr><td>**Other then Govt. Co.**</td><td>NA</td><td>Within 30 days,</td></tr></table>In case casual vacancies arise due to resignation of auditor, the appointment by the board shall be approved by share holder in general meeting convened within 3 month of the recommendation of board. **FURNISHING OF CERTIFICATE AND CONSENT BY AUDITOR ON APPOINTMENT.** 1. Furnish written consent for such appointment. And 2. A certificate stating auditor satisfied criteria as prescribed in sec 141. & appointment is made in accordance with rule-4. **Rule-4 LPP Eligible.** - **List of proceeding pending against the proposed auditor for professional misconduct disclosed in certificate.** - **Proposed appointment is as per the term provide under the Act,** - **Proposed appointment is within the limit laid down by or under the authority of the Act,** - **Eligible for appointment and is not disqualified for appointment under this Act or CA Act,1949**
140	**Removal, resignation of auditor and giving of Special notice.**
	140(1): removal For removal of auditor board shall pass a board resolution, then make application to CG for taking approval in form ADT-2, On receipt of approval from CG, within **60 days of approval** Hold general meeting pass Special resolution. However before taking any action of removal a ROOBH shall be given. *ROOBH(Reasonable opportunity of being heard)* **140(2)(3): resignation of auditor** An auditor is required to file ADT-3 on resignation within 30 days to Company, ROC , CAG (If govt, co). Failure to which auditor punishable with a fine which may extend to Rs. 50000 but shall not exceed Rs. 500000. **140(4): Special notice.** A special notice require to remove an auditor providing expressly that retiring auditor shall not appointed and appointing some other person in place of retiring auditor. However special notice not require if he has completed consecutive tenure of 5 year/ 10 year.
141	**Eligibility, qualification and disqualification of auditor.**
	Qualification – Chartered Accountant **Section 141(3) : Disqualification:- BOP & SIG** *ne mil kar* **BRFC** *kar dia* **144** *laga kar* <table><tr><td>**Mnemonics**</td><td>**B**</td><td>**O**</td><td>**P**</td><td>**SIG**</td><td>**B**</td><td>**R**</td><td>**F**</td><td>**C**</td><td>**144**</td></tr><tr><td>**Clause**</td><td>**a**</td><td>**B**</td><td>**c**</td><td>**d**</td><td>**e**</td><td>**f**</td><td>**g**</td><td>**h**</td><td>**i**</td></tr></table> a) **Body corporate** other than LLP b) **Officer or employee** of the company c) **Partner or person in employment** of such officer or employee of the company **d) Security, indebtedness and guarantee** ▪ A person who or his relative or partner is holding any security of CHASS

*(except share held by all **relative** up to face value of 1 lakh, if at any time after appointment share held by relative exceed 1 lakh, then take corrective action within next **60** days so as to maintain the limit.)*

- A person who or his relative or partner is indebted in excess of 5 lakh to CHASS.
- A person who or his relative or partner has given a guarantee or provided any security to CHASS.

(CHASS- Company, Holding company, Associate Company, Subsidiary, Subsidiary of such holding company.)

e) **Business relationship** in the nature of commercial transaction other than
- Commercial transaction which are in the nature of professional services.
- Commercial transaction which are in ordinary course of business of the company at ALM(arm's length price) company engage in HATH(Hospital, Airline, telecommunication and hotel & such other similar business.

With CHASS including a subsidiary of such associate company.

f) **Relative** is director or key managerial person (CEO,CFO, CS, WTD)

g) A person who is in **full time employment** elsewhere. Or holding audit of more than 20 companies (excluding one person company, small company, dormant companies and private companies having paid up share capital less than Rs. 100 crore.)

h) A person who has been **convicted** by a court of an offence involving fraud and 10 year has not been lapsed from date of such conviction.

i) Any person (ca) whose subsidiary, associate company or any other form of entity is engaged as on the date of appointment in consulting and specialised services as provided in sec **144**. *(however section 144 restriction is for service to company, holding company & subsidiary company; so if on the date of appointment this service is being provided to other company there is no any objection)*

Relative means father, mother, brother, sister, son, daughter, wife of son and husband of daughter, including above step except step daughter.

141(4) – If subsequent to appointment any disqualification occure then vacate his office.

142 **Remuneration of auditor**

It shall be decided and **fixed only at general meeting**, however in case of first auditor it shall be fixed by board. It consists of audit fees, reimbursement of expenses and any facilities extended to auditor.

143 (1) **Duties to make inquiry** **LTILPC**

Mnemonics	L	T	I	L	P	C
Clause	A	b	c	d	e	F

a. **Loan and advance** made on the basis of securities properly secured, and term on which they have agreed not prejudicial to interest of company.
b. **Transactions represented merely by book entries are** prejudicial to interest of company.
c. **Investment-** if company is not an investment company or banking company whether so much of assets consisting of share, debenture or other securities sold at a price less than at which it has been purchased.
d. **Loan and advance** made by the company have been shown as deposit.
e. **Personal expenses** have been charged to revenue.
f. **Cash** is received for share allotted for cash, if not then account balance shown is correct and not misleading

143(3) **Duties to make report** **I B_2A_3D MIS**

Mnemonics	I	B	B	A	A	A	D	M	I	S
Clause	a	b	c	d	e	f	g	h	i	J

	a) **Information and explanation-** whether he has sought and obtained all the information and explanation which to the best of his knowledge and belief were necessary for the purpose of audit and if not, the detail there of and affect of such information on the financial statement. b) **Books of accounts-** whether in his opinion proper books of accounts as required by law have been kept by the company so far it appear from examination of those books and proper return adequate for the purpose of his audit have been received from branched not visited by him. c) **Branch office-** Whether the report on the accounts of any branch office of the company audited by a person other than company's auditor has been sent to him and the manner in which he has dealt with it in preparing his report. d) **Agreement-** Whether the company's balance sheet and profit and loss account dealt with in report are in agreement with the books of account and returns. e) **Accounting Standards-** Whether in his opinion the financial statement comply with the accounting standards. f) **Adverse affect-** the observation or comment of the auditors on financial transaction or matter which have any adverse affect on the functioning of the company. g) **Disqualified –** Whether any director is disqualified from being appointed as a director under section 164(2). h) **Maintenance of books of accounts-** any qualification, reservation or adverse remarks relating to the maintenance of accounts and other matters connected therewith. i) **Internal financial control-** whether the company has adequate internal financial controls system in place and the operating effectiveness of such control. j) **S**uch other matter as may be prescribed.
143(12)	**Reporting of fraud by auditor**
	When an auditor comes to knowledge or reason to believe that fraud has been committed or is being committed against the company by any employee of officer, the auditor is required report immediately but not later than 2 days **to the board or audit committee**. Board or audit committee will submit their reply or observation within 45 days to auditor. Then Auditor shall report **to central government** in form ADT-4 within 15 days of receipt of reply from board or audit committee, by speed post or Registered post with acknowledgment due. However if fraud amount is less than Rs. 1 crore then report only it to Board/ Audit committee & disclosure require in board report. Report consists of following particular: **NPA** **1.** **N**ature of fraud with description **2.** **P**arties involved. **3.** **A**pproximate amount involved. AND such disclosure would not amount breach of any of his duties.
144	**Auditor not to render certain cervices** — **IMRAN IAD AI**
	The auditor shall not provide any of the following services directly or indirectly to company, holding company or subsidiary company. **Investment banking service** **Management service** **Rendering of outsources financial services.** *Any other as may be prescribe* *Not prescribed till now.* **Investment advisory services.**

<table>
<tr><td></td><td colspan="2">Actuarial services.
Design and implementation of any financial information system
Accounting and book keeping service.
Internal audit</td></tr>
<tr><td>145</td><td colspan="2">Auditor to sign audit report.</td></tr>
<tr><td></td><td colspan="2">Audit report shall be signed by the person who is appointed as auditor.</td></tr>
<tr><td>146</td><td colspan="2">Auditor to attend general meeting.</td></tr>
<tr><td></td><td colspan="2">It is compulsory for an auditor to attend general meeting either himself or through his representative (ca in practice that should be qualified to be an auditor).</td></tr>
<tr><td>147</td><td colspan="2">Punishment for contravention</td></tr>
<tr><td></td><td><u>FOR AUDITOR</u> for contravention of section 139,143,144 or 145 i.e for (ARNS- Appointment, Remuneration, Not to render certain services, Signature)
25,000-5,00,000
If knowingly
1,00,000-25,00,000
And maximum imprisonment may be 1 year.
The auditor shall be liable to refund remuneration received from the company.</td><td>FOR <u>COMPANIES & OFFICER IN DEFAULT</u>
<u>Section 139-146</u>
<table><tr><td>Company</td><td>Officer in default.</td></tr><tr><td>25,000-5,00,000</td><td>10,000-1,00,000 and maximum imprisonment may be one year</td></tr></table></td></tr>
</table>

CH-16 TAX AUDIT

Tax audit is compulsory for following assessee under section 44AB of income tax act 1961.

1. If gross turnover* of business exceed 100 lakh in any previous year.
2. If gross receipt of profession exceed 25 lakh in any previous year.
3. Assessee falling under presumptive taxation but declaring profit at lower than the presumptive prescribed income rate. U/s 44AD-8%,44AE- Rs. 7500 pm, 44BB-10%, 44BBB-10%.

*excluding sales return, trade discount, discount allowed on sales invoice.

Who can conduct tax audit

A chartered accountant can do tax audit up to 60 assessee, excluding assessee falling under persumptive taxation.

Form for tax audit

Form 3CA	For the assessee whose account is require to be audited under any law. For example – company, co-operative society, bank.
Form 3CB	For the 1. assessee who is not required to get his account audited under any law. 2. For the assessee whose accounting year is different from financial year.
Form 3CD	Annexure to above audit report, it is containing 41 clause.

Form 3CD.

1	Name of the assessee.
2	Address of the assessee.
3	PAN
4	Liable to pay indirect tax like sales tax, Service tax, sales tax, custom duty etc, if yes then furnish **registration number.**
5	Status of the assessee. (individual, huf, company, etc.)
6	Previous year
7	Assessment year
8	**Relevant clause of 44AB under which audit is conducted. (a- for business, b- for profession, c- for 44AE, 44BB&44BBB, AND clause d- for 44AD)**
9	Partnership firm/AOP- 1. Name and PSR. 2. Any changes in PSR.
10	Nature of business and any changes there to.
11	Books of accounts. Prescribed, maintained and examined.
12	Business falling under presumptive taxation. (44AD, 44AE, 44B, 44BB, 44BBA, etc.)
13	**Method of accounting, any changes in such and detail thereof.**
14	Method of valuation of closing stock. & if deviate from 145A then affect thereof.
15	Capital assets converted in to stock in trade.
16	**Amount (income) not credited to profit and loss account. (sec 28, refund of tax, escalation claim, capital receipt, any other exempted income.)**
17	**Land or building or both transferred at less than SDV. Taxable U/s 50C or 43CA.**

18	Particular of depreciation.
19	Amount admissible under specific section of income tax act and debited, short debited or not debited to profit and loss.
20	1. Bonus, commission paid to an employee as profit or dividend. 2. Contribution received from an employee under various fund.
21	**Amount debited to profit and loss in the nature of following item.** **1. Advertisement, capital or personnel expenditure.** **2. Contribution to political party.** **3. Club expenses.** **4. Fines and penalty** **5. Other fines and penalty.** **6. Expenses prohibited by law.** **7. TDS.** **8. Interest on capital** **9. Partnership firm** **10. Payment of expenditure in cash exceeding 20000/35000.** **11. Payment to opening creditor.** **12. Provision for gratuity.** **13. Contribution to unrecognised employee and provident fund.** **14. Contingent liability.** **15. Expenses on exempt income.** **16. Interest on capital borrowed.**
22	Amount inadmissible under section 23 of the Micro Small and Medium Enterprises Development Act,2006
23	Payment to specified person U/s 40A(2)(b)
24	**Deemed profit/ gain U/s 32AC, or 33AB or 33ABA or 33AC.**
25	Remission / cessation of trading liabilities, recovery of already allowed deduction.
26	**Section 43B deduction allowed only on payment basis for bonus, interest, tax, employer contribution, leave encashment.**
27	CENVAT credit, prior period item debited to profit and loss.
28	Share without inadequate consideration covered u/s 56(2)(viia) taxable as IFOS.
29	**Consideration for share issued exceed FMV covered u/s 56(2)(viib) taxable as IFOS.**
30	Amount borrowed / repaid otherwise account payee cheque (on hundi, bill of exchange . u/s 69D
31	**1. Loan deposit taken/ accepted in cash exceeding 20000 other wise than by account payee cheque u/s d269SS.** **2. Repayment of loan/ deposit in cash exceeding 20000 other wise than by account payee cheque u/s 269 T.**
32	**Detail of brought forward loss, depreciation, speculation loss.**
33	Section wise deduction claimed under chapter VIA or Chapter III(Sec 10A,10AA)
34	**TDS**
35	In case of trading concern mention detail of GOODS and RAW MATERIAL.
36	Detail of dividend distribution tax U/s 115O.
37	If Cost audit then mention of qualification and disqualification and detail thereof.
38	If audit conducted under central excise act then mention of qualification and disqualification and detail thereof.
39	If service tax audit then mention of qualification and disqualification and detail thereof.
40	Detail of accounting ratio. (total turnover, gross profit/turnover, net profit/ turnover, stock in trade/ turnover, material consumed/ finished goods produced)

41	**Detail of demand, refund under any tax law other than income tax and wealth tax.**

Accounting standards under income tax act, 1961

ICDS(Income computation disclosure standards) for assessee chargeable under head of PGBP or IFOS & follow MERCANTILE BASIS OF ACCOUNTING.

Accounting standards	**ICDS(Income computation disclosure standards)**
1,2	**I,II**
7	**III**
9,10,11,12,13	**IV,V,VI,VII,VIII**
16	**IX**
29	**X**
Difference between AS and ICDS	
ACCOUNTING STANDARDS – 1 DISCLOSURE OF ACCOUNTING POLICIES	
SELECTION OF ACCOUNTING POLICIES Selection of accounting policies should be made in following order: 1. Select such accounting policies, so as to give true and fair view. 2. Consider prudence, substance over form and materiality.	The concept of materiality and prudence omitted from here.
Conservatism concept is followed. Expected loss should be recognised	Expected loss shall not be recognised unless permitted by ICDS.
All **accounting policies** followed in preparation and presentation of financial statement should be separately disclosed at one place separately. Accounting policies means accounting principle and method of applying those principles adopted in the preparation and presentation of financial statement.	It is not mentioned where the accounting policies would be disclosed.
ACCOUNTING STANDARDS -2 VALUATION OF INVENTORIES	
Determination of cost Following method is used in determining of cost 1. Actual cost Cost of purchase including cost of conversion and other cost to bring the inventories in current location and position. 2. Standards cost 3. Retail selling price – Profit %	ICDS doesn't permit Standard cost.
Valuation: Finished goods and WIP should be valued at lower of cost or Net realisable value. Raw material should be valued at cost, however if finished goods in which such raw material is to be used , is expected to sold at lower of cost, then Raw material should valued at lower of replacement cost or Actual Cost.	In case of dissolution of partnership inventory should be valued at net realisable value.

<table>
<tr><td colspan="2"><u>ACCOUNTING STANDARDS- 7 CONSTRUCTION CONTRACT</u></td></tr>
<tr><td>Para 35: Recognise expected loss on contract entered irrespective of degree of completion, when contract cost expected to exceed contract revenue.
Actual cost #####
Less: Revenue recognised #####
Actual loss up to current year #####
<u>Provision for expected loss</u>
Total expected loss $\frac{Current\ year\ loss}{Degree\ of\ copletion}$ #####
Less: loss recognised #####
Provision to be made #####</td><td>Anticipated losses are not allowed to be recognised.
Actual loss allowed only on the basis of stage of completion.
Once a contract crosses 25% revenue should be recognised.</td></tr>
<tr><td colspan="2"><u>ACCOUNTING STANDARDS -9 REVENUE RECOGNITION</u></td></tr>
<tr><td>Rendering of Services: There are two method to recognise revenue from rendering of serves- Proportionate completion method and Completed Services method.
Proportionate Completion Method: It is used when services provided in more than one act.
Completed Services Method: It is used when services provided in single act.</td><td>Only Proportionate Completion Method allowed.</td></tr>
<tr><td colspan="2"><u>ACCOUNTING STANDARDS – 10 ACCOUNTING FOR FIXED ASSETS</u></td></tr>
<tr><td>Cost of fixed assets in case of exchange: Fair value of assets given or obtained whichever is more clearly evident.</td><td>Value of tangible fixed assets would be recorded at actual cost</td></tr>
<tr><td>Revaluation: It is optional. It should be on class of assets uniformly. Revaluation should be adjusted in cost or carrying amount, there should be no any adjustment in accumulated depreciation on account of depreciation.
Revaluation profit should be credited to Revaluation reserve. Revaluation loss to be adjusted with revaluation reserve to the extent of revaluation reserve beyond that should be debited to Statement of Profit and loss accounts.</td><td>Revaluation concept is not there.</td></tr>
<tr><td colspan="2"><u>ACCOUNTING STANDARDS-11 THE AFFECT OF CHNAGE IN FOREIGN EXCHANGE RATE</u></td></tr>
<tr><td>PARA 38 & 39 of AS 11: When Forward contract entered for speculation purpose then Premium (difference between exchange rate and forward) should not be considered. Only on sale the difference between contract rate and sale rate will be recognised in the profit and loss account.</td><td>All gain or losses shall be recognised only on settlement.</td></tr>
<tr><td>PARA 13: Foreign currency monetary item should be reported as closing rate on balance sheet date, the difference transfer to exchange difference and such exchange difference to Statement of Profit and Loss accounts.</td><td>No mark to market. All gain or losses shall be recognised only on settlement.</td></tr>
</table>

ACCOUNTING STANDARDS-12 GOVERNMENT GRANT	
Recognition: Government grant should be recognised when subsidies received from government or certain to receive. Grant may be in many forms their types and recognition is given as follows. **Income grant, Expenses grant or bailout grant:** Credited to statement of profit and loss. **Grant for promoter contribution or for situation in backward area:** Credited to capital reserve. **Grant for non-depreciable assets:** Credited to capital reserve. **Grant for Depreciable assets:** It is having two optional treatments either net method or gross method. *Net method: initially grant is deducted from assets and assets net of grant is depreciated over life of assets.* *Gross method: Grant is deferred over life of assets in the ratio of depreciation.*	Government grant should be treated as either revenue receipt or as reduction from cost of fixed assets based on purpose for which grant is given. Recognition of grant shall not be postponed beyond the date of actual receipt.
ACCOUNTING STANDARDS-13 ACCOUNTING FOR INVESTMENT	
INVESTMENT: Investment means assets held for earning income or appreciation.	Include securities held as stock in trade.
ACCOUNTING STANDARDS-16 BORROWING COST	
FOREIGN EXCHANGE LOSS DUE TO BORROWING Recognise exchange loss on foreign borrowing but to the extent of difference between estimated cost of local borrowing and Actual borrowing cost. This exchange loss in addition to borrowing cost.	Borrowing cost will not include exchange difference.
Qualifying assets means, Assets which takes substantial period of time to get ready to use or sale, that is exceeding 12 month.	Qualifying assets means 1. Land, building, machinery, plant or furniture, being tangible assets. 2. Know-how, patent, copyrights, trademarks, licences, franchises or any other business or commercial of similar nature, being intangible assets. 3. Inventory that require a period of exceeding 12 month to a saleable condition.
SUSPENTION OF CAPITALISAITON OF BORRWING COST Capitalisation of borrowing cost is suspended when active development is not taking place in due to abnormal reason in extended period.	It is removed.
ACCOUNTING STANDARDS – 29 PROVISION, CONTINGENT ASSETS AND CONINGENT LIABILITIES	
Provision is present obligation arising during the past event settlement of which result in an outflow of resources embodying	A provision can be recognised when it is reasonably certain that an outflow

economic benefit and which can be measured using substantial degree of estimation. Provision should be made in books of accounts for such.	of economic resources will be required to settle an obligation.
CONTINGENT ASSETS Neither any disclosure in financial statement nor any provision is required to be made. However, it is usually disclosed in report of approving authority.	Contingent assets can be recognised when there is reasonable certainty of realisation.

Relevant section of direct tax

50C	**SPECIAL PROVISION FOR FULL VALUE OF CONSIDERATION IN CERTAIN CASES** **For Capital Assets being land, building or both if FVCR is less than the SDV then SDV to be taken as FVCR. If SDV exceed FAIR VALUE then Assessing Officer may refer to Valuation Officer. Where values determined by Valuation officer exceed SDV then SDV should be taken as FVCR.**
43CA	**SPECIAL PROVISION FOR FULL VALUE OF CONSIDERATION IN CERTAIN CASES FOR OTHER THAN CAPITAL ASSETS** For IMMOVABLE PROPERTY BEING land, building or both held as stock in trade if FVCR is less than the SDV then SDV to be taken as FVCR. If SDV exceed FAIR VALUE then Assessing Officer may refer to Valuation Officer. Where values determined by Valuation officer exceed SDV then SDV should be taken as FVCR. PTBR : Where Date of Agreement and Date of Registration is not same then option to take SDV as of Date of agreement, if prior transaction is on Date of Agreement in other than cash. **This option is available to seller who involved in Real estate.**

SECTION	ASSESSEE	ASSETS GIFTED	MODE	TAXABLITY	ASSESSABLE VALUE (IFOS)
56(2)(vii)	Individual and HUF (*Here assessee has option to take SDV of as on date of agreement if initially full or part consideration received in other than cash as on DOA or prior to DOA.	MONEY	Without consideration	If >50000	Whole
		IMMOVABLE PROPERTY	With consideration	If SDV exceeds Purchase price by more than 50000	SDV-Purchase Price
			Without* consideration	If SDV* > 50000	Whole
		MOVABLE PREPERTY (only ISJADPSAB)	With consideration	If Fair value exceeds Purchase price by more than 50000	Fair value-Purchase Price
			Without consideration	If Fair value > 50000	Whole
56(2)(viia)	Closely held company (other than widely held, eg.public)	Share	With consideration	If Fair market value exceeds Purchase price by more than 50000	Fair market value-Purchase Price
			Without consideration	If Fair market value > 50000	Whole

56(2)(viib)	Closely held company (other than widely held, eg.public)	Consideration for issue of share	**NA**	**Applicable when issue price exceed face value**	**Consideration – fair market valu**

SECTION	CONTENT
28	Taxable income under head of PGBP
29	Computation of profit and loss u/h of PGBP considering section 29 to 43B
Admissible Expenditure	
30	Rent, Rates, tax, Repair and insurance of building
31	Repair and insurance of plant and machinery and furniture.
32(1)(ii)	Depreciation
32(1)(iia)	Additional Depreciation
35	Expenditure on Scientific research
35ABB	Amortisation of telecom licence fee
35AC	Expenditure on eligible project Scheme
35AD	Deduction of expenditure on specified business
35CCA	contribution to association or institution for carrying out RDP.
35CCC	Expenditure onAgricultural extension project
35CCD	Expenditure of Skill development project
35DDA	Amortisaiton of expenditure on VRS.
35D	Preliminary expenses
36	Other deduction as specified
37(1)	deduction of other genuine business expenses
Inadmissible expenditure	
37(2B)	Contribution to political party or amount paid on violation of law
40(a)(i)	Amount paid to Non-resident without deducting tax
40(a)(ia)	Amount paid to resident without deducting tax
40(a)(ii)	Payment of income tax
40(a)(iia)	Payment of wealth tax
40(a)(iii)	Payment made to non-resident as salary without deducing TDS
40(a)(iv)	Payment to provident fund without secure that TDS will be duducted therefrom.
40(a)(v)	Payment of taxes in respect of non monetary perquisities
40(b)	Deduction in respect of payment to partner
40(ba)	Disallowance applicable to AOP/BOI
40A(3)	Expenses not deductible under certain circumstances
Certain taxable income	
41	Profit chargeable to tax
41(1)	Taxability of Recovery of Expenditure and Remission and cessation of trading liabilities
43A	Foreign exchange fluctuation
43B	Disallowance of unpaid liability
Actual cost of assets acquire and WDV	
43(1)	Actual cost of assets
43(6)	WDV
Audit and accounts	

44AA	Compulsory maintenances of accounts
44AB	compulsory Audit
Presumptive taxation	
44AD	Presumptive income of person engage in business other than transport
44AE	presumptive income of person engage in business of transport
Certain deduction and exemption	
Deduction under section 80	It is deducted from gross total income
Exemption under section 10	It doesn't form part of gross total income

28	**Taxable income under head of PGBP**

Memory technique : BPSC DPS PINK

B- Benefit and perquisites arising from business or profession.

P- Profit and gain of any business or profession.

S- Sale of import entitlement licence.

C- Cash compensatory support.

D- Duty Drawback.

P- Profit on the transfer of duty entitlement passbook.

S- Self contributories and Self Beneficiary (Trade Association,RWA,Club,etc) , income from Specific Services.

P- Profit on duty free replenishment certificate.

I- Interest, Salary, Bonus, Commission or remuneration received by partner to the extent allowed u/s 40(b).

N- Not Carrying out any activity.

K- Key man insurance policy.

35AC	**Expenditure on eligible project Scheme**

35AD	**Deduction of expenditure on specified business**

150% or 100% deduction of capital expenditure on specified business or 100% deduction of revenue expenditure of specified business, incurred before commencement of business.

150% for following:

Memory technique : H2PWC

H- Housing project under affordable housing scheme.

H- Hospital with at least 100 beds facilities.

P- Production of fertilizer.

W- Warehousing facilities.

C- Cold chain facilities for agricultural produce.

Presumptive taxation

44AD	**Presumptive income of person engage in business other than transport**

Applicable to sole proprietor, individual, HUF and firm carrying any business having a gross turnover not exceeding rupees one crore. No any deduction of expenditure, deduction under section 30 to 38 deemed to have been allowed. However, deduction under section 40(b) would be available to firm.

Presumptive rate of income is **8%** of gross turnover/gross receipt.

44AE	**presumptive income of person engage in business of transport**

For assessee engage in the business of plying, hiring, leasing goods carriage vehicle not owing exceeding 10 goods carriage vehicle.

Presumptive rate of income is rupees 7500 per month per vehicles.

43B	**Disallowance of unpaid liability**

Following are certain expenditure in respect of which deduction allowed only on payment basis.

Memory technique: BITEL

B- Bonus or commission payable to employee.

I- Interest payable on any load or borrowing.

T-tax, due or cess.

E- Employer contribution to retirement fund.

L- Leave encashment.