

# Tax Audit Series - Version 4.0

## Chapter 18 – Clauses 37 to 39



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Namaste

In Chapter 18 of this series, we would discuss the Particulars of Clauses 37 to 39 of Form 3CD.

**Clause 37: Whether any cost audit was carried out, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the cost auditor.**

- The auditor should ascertain from the management whether cost audit was carried out and if yes, a copy of the same should be obtained from the assessee.
- The auditor should also refer to CARO report by the statutory auditor on the observation on maintenance of cost records by the company.
- He has to take notes of the details of disqualification or disagreement on any matter/item/value/quantity as may be reported / identified by the cost auditor.
- The auditor need not express any opinion in a case where such audit is applicable but has not been carried out.
- In cases where cost audit which might be applicable but is not completed by the time the auditor issues his report stating that since cost audit is not completed and the cost audit report is not available with the assessee.
- The auditor should examine the time period for which the cost audit if any has been required to be carried out. Information is required to be given only in respect of such cost audit report the time period of which falls within the relevant previous year.

**Clause 38 - Whether any audit was conducted under Central Excise Act, 1944, if yes, then give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be identified/reported by the auditor.**

- The auditor should ascertain from the management whether any audit was conducted under the Central Excise Act, 1944 and obtain the copy of report for the same. He is not required to make any detailed study of such report, he only has to mention if any disqualification or disagreement on any matter/value/quantity was identified or reported by the auditor.
- The auditor need not express an opinion if any excise audit was required to be conducted but not carried out yet.

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- In case if excise audit was ordered but was not completed by the time the auditor had to give his report, then the same fact needs to be disclosed properly by the auditor that report was not yet available with the assessee.
- The auditor should examine the time period for which the excise audit was carried out. Information regarding the time period which falls within the relevant previous year needs to be disclosed.
- With imposition of GST from 1.7.2017, Excise is applicable on very few items.

**Clause 39 – Whether any audit was conducted u/s 72A of the Finance Act, 1994 in relation to valuation of taxable services, if yes, then give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the auditor.**

- The auditor should ascertain from the management whether any audit was conducted u/s 72A of the Finance Act, 1994 and obtain the copy of report for the same. He is not required to make any detailed study of such report, he only has to mention if any disqualification or disagreement on any matter/value/quantity was identified or reported by the auditor.
- The auditor needs to express an opinion if any service tax audit was required to be conducted but not carried out yet.
- In case service tax audit was ordered but was not completed by the time tax auditor had to give his report, then the same fact needs to be disclosed properly by the auditor that report was not yet available with the assessee.
- The auditor should examine the time period for which the service tax audit was carried out. Information regarding the time period which falls within the relevant previous year needs to be disclosed.
- With imposition of GST from 1.7.2017, Service tax is no longer applicable, yet in few cases, it was observed that notices had come for the departmental audit of earlier service tax period.

I hope this document is of use to you. I thank CA. Shreya Jain in assisting me to compile this part of the series. Your suggestions and comments would be highly appreciated

Best Regards

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### EARLIER CHAPTERS

Chapter No.	Title	Link
1	Applicability	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_20303.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_20303.pdf</a>
2	Turnover	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_20304.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_20304.pdf</a>
3	Audit Report Format	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_20305.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_20305.pdf</a>
4	Clauses 1 to 8A	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_20307.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_20307.pdf</a>
5	Clauses 9 to 12	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_20309.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_20309.pdf</a>
6	Clause 13	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_21321.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_21321.pdf</a>
7	Clauses 14 to 15	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_21322.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_21322.pdf</a>
8	Clauses 16 to 17	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_21325.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_21325.pdf</a>
9	Clauses 18 to 20	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_21327.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_21327.pdf</a>
10	Clause 21	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_21329.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_21329.pdf</a>
11	Clauses 22-23	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_21330.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_21330.pdf</a>
12	Clauses 24-26	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_21331.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_21331.pdf</a>
13	Clauses 27-29B	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_21332.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_21332.pdf</a>
14	Clauses 30-30C	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_21334.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_21334.pdf</a>
15	Clauses 31(a)-31(e)	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_21335.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_21335.pdf</a>
16	Clauses 32-33	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_22309.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_22309.pdf</a>
17	Clauses 34-36A	<a href="http://lunawat.com/Uploaded_Files/Attachments/F_22310.pdf">http://lunawat.com/Uploaded_Files/Attachments/F_22310.pdf</a>

(Disclaimer: Though full efforts have been made to state the interpretations correctly, yet the author is not responsible / liable for any loss or damage caused to anyone due to any mistake / error / omission)

### ABOUT CA. PRAMOD JAIN

He is a commerce graduate [B. Com (H)] from Shri Ram College of Commerce (SRCC). He is a fellow member of the Institute of Chartered Accountants of India (FCA). He is a fellow member of the Institute of Companies Secretaries of India (FCS). He is a fellow member of the Institute of Cost Accountants of India (FCMA). He is a Bachelor of Law (LL. B). He is qualified as an Information System Auditor [DISA (ICAI)]. He is also a member of All India Management Association (MIMA). He is also an Insolvency Professional (IP). He has also passed the Certificate Course on CSR of ICAI. He has also passed the Proficiency Self-

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Assessment Test for Independent Director's Databank. He has passed certification course NCFM of National Stock Exchange of India (NSE). He has also done certification course CAAT and post qualification certificate course on Valuation of ICAI.

He is elected as Central Council Member of ICAI for 2 consecutive terms from 2019 to 2025. Apart from being member in more than 25 committees / groups / directorates of ICAI, and other Bodies he is / was:

- Chairman of Accounting Standards Board (ASB) of ICAI for 3 years from 2022 to 2025
- Deputy Convenor of Centre for Audit Quality Directorate (CAQD) for 2024-25
- Convenor - Members & Students (Grievances Handling & e-Sahayata) Directorate for 2023-24
- Chairman of Accounting & Finance Services Sectional Committee SSD-12 under the Services Sector Division Council (SSDC) of Bureau of Indian Standards (BIS) for 2023-24
- Chairman of Expert Advisory Committee (EAC) of ICAI for Year 2022-23
- Co-Chairman of Corporate Affairs Committee of PHDCCI for the year 2022-23
- Chairman of Committee on International Taxation (CITAX) of ICAI for 2021-22
- Chairman of Taxation Audit Quality Review Board (TAQRB) of ICAI for 2021-22.
- Member of Quality Review Board (QRB) for 2 terms from 2020 to 2026.
- Member of the SME Implementation Group (SMEIG) of IFRS Foundation, UK for 3 years from 2023 to 2026.
- Chairman of Valuation Standards Board (VSB) of ICAI for the year 2020-21.
- Chairman of CSR Committee of ICAI for year 2020-21.
- Vice-Chairman of Committee on MSME & Start-up of ICAI for the year 2021-22.
- Vice-Chairman of Women Members Empowerment Committee (WMEC) of ICAI for 2021-22.
- Vice-Chairman of Direct Tax Committee (DTC) of ICAI for 2 years from 2019 to 2021.
- Vice-Chairman of Committee on International Taxation (CITAX) of ICAI for 2019-20.
- Member of ICAI Disciplinary Committee for the year 2020-21.

He is the conceptualizer of the portal [www.expertspanel.in](http://www.expertspanel.in) which is a one stop solution for all professional queries which has given more than 36500 answers since its launch in mid of year 2018.

He has delivered more than 1800 lectures and articles on various topics of Income Tax, Corporate Laws, LLP, Audits, Peer Review, Quality Review, etc. at more than 200 forums throughout the country. Most of his presentations and articles since 2013 are available for free download from [www.lunawat.com](http://www.lunawat.com) and from 2018 at [www.expertspanel.in](http://www.expertspanel.in) also.

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He is Senior Partner of M/s LUNAWAT & CO., Chartered Accountants. He is president, founder convener and member of various Boards, Directorate, Committees, Study Circles, etc. of ICAI, ICSI and other prestigious bodies and associations. He has been a Technical Reviewer with Financial Reporting Review Board (FRRB) and Quality Review Board (QRB) and Peer Reviewer with Peer Review Board (PRB).

He has authored books on “Chartered Accountant’s Documentation and Compliance for Audits and Reviews”, *Limited liability Partnership – A Complete Resource Book*”, “Chartered Accountant’s Documentation and Compliance for Audits and Reviews”, “Importance of LLP after Companies Act, 2013”, “Chartered Accountant’s Documentation and compliance under Companies Act 2013, Peer Review and Quality Review”, “Limited Liability Partnership – Law, Procedures and Taxation”, “Documentation for Chartered Accountants”, “Limited Liability Partnership – Law and Procedures with Ready Reckoner”, “Fringe Benefit Tax & Banking Cash Transaction Tax”, “Documentation for Audits” and “Accounting Standards and CARO”.

He has written various articles on taxation, company law and audit in various journals. He has vast practical experience in income tax, audit, corporate laws and LLP.