



Namaste

In series - 4 we would discuss the Particulars of Form 3CD – Part B – S. Nos. 9 to 12.

PART B

Form 3 CD is divided into two parts:

- Part A containing S. Nos. 1 to 8
- Part B containing S. Nos. 9 to 44 (As amended by CBDT vide notification dated 20th July 2018)

In this series we would be discussing Part B - S. Nos. 9 to 12

Serial No. 9

9(a) - If firm or association of persons, indicate names of partners/members and their profit sharing ratios

9(b) - If there is any change in the partners or members or in their profit sharing ratio since the last date of the preceding year, the particulars of such change

- If the assessee, being a Partnership Firm or Limited Liability Partnership (LLP) or association of persons (AOP) or body of individuals (BOI), the names of partners of the firm or members of the association of persons or body of individuals and their profit sharing ratios (%) needs to be stated and the same should be verified from agreement or any other document evidencing partnership or association of persons
- If there is any change in partners/ members or their profit sharing ratio from the last date of preceding year then :
 - a. Obtain the certified copies partnership deeds / LLP agreement and other relevant documents.
 - b. Ensure that all the changes, taken place in constitution or profit sharing ratio since last date of preceding year has been mentioned.
 - c. Verify acknowledgement of filing of notice of change to Registrar of firms, if any.
 - d. Whether relevant facts have been mentioned in case, share of member of AOP is indeterminate.
 - e. Obtain written representation



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- If minor is admitted to the benefits of the firm then ensure whether his/her name and Profit Sharing Ratio has been duly stated.
- In case of dissolution of firm, the clause is not applicable as the firm cease to exists.

Serial No. 10

10(a) - Nature of business or profession (if more than one business or profession is carried on during the previous year, nature of every business or profession)

10(b) - If there is any change in the nature of business or profession, the particulars of such change

- Nature of business/profession should be verified from the financial statements especially notes /schedules relating to company. Also verify the incorporation document such as MOA, partnership deed, trust deed etc. (if more than one business or profession is carried on during the previous year, nature of every business or profession). The auditor is also required to mention the sub-sector pertaining to the sector selected.
- If there is any change in the nature of business or Profession, the particulars of such change to be verified:
 - a) Whether change in nature of business / business line / permanent discontinuance is mentioned?
 - b) Whether any such change occurring due to reconstruction / reorganization has also been mentioned?
 - c) Review the minutes of the meeting approving the change in business. Obtain the declaration from the assessee w.r.t. such change.
- Temporary suspension of the business may not amount to change and therefore should not be reported.

Serial No.11

11(a) - Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed



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- Books have been prescribed only for professionals; hence only in case of professionals books prescribed u/s 44AA read with Rule 6F should be mentioned in this clause.
- In case of business, as no books are prescribed so verify that it is mentioned accordingly

11(b) List of books of account maintained and the address at which the books of account are kept

11(c) - List of books of account and nature of relevant documents examined.

- a. Obtain from the assessee a complete list of books of accounts maintained by him either computerized or otherwise. (both financial & non - financial records)
- b. Also obtain the address at which the books are maintained. Separate books may be maintained at different place of business.
- c. In case, where books of accounts are maintained and generated through computer system, the auditor should obtain from the assessee the details of address of the place where the server is located or the principal place of business/Head office or registered office by whatever name called.
- d. Have appropriate marks of identification been made, to ensure identification of books of accounts produced before us?
- e. In case of manufacturing/trading, has assessee maintained the quantitative records of stores, raw material & finished goods.
- f. In case of company assessee, verify the form filed with ROC regarding maintenance of books at a place other than registered office.
- g. Examine not only the books of accounts but also other relevant documents directly related to transactions reflected in the books of accounts like original purchase invoice, copy of bank statements, bills, vouchers, various agreements/contracts or any other document on the basis of which preliminary entries are passed in the books of accounts.

Serial No.12 : Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant sections (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, Chapter XII-G, First Schedule or any other relevant section.)

The auditor needs to verify if the profit and loss account includes any of the income assessable on presumptive basis. There could be few different scenarios such as:

1: Books of Accounts not separately maintained for both the businesses



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- Ascertainment of correct profit in respect of business covered under PRESUMPTIVE SCHEME should be done by tax auditor by arriving at a fair and reasonable estimate of the expenditure based on the evidence in possession of the assessee or by asking the assessee to prepare such estimate which should be checked (basis of apportionment of common expenditure should be stated).
- However, if the tax auditor is not satisfied with the reasonableness of such apportionment, he should indicate such fact under this clause by a suitable note.

2: Books of Accounts separately maintained

- In case separate set of books of accounts are maintained, it poses no problem for the tax auditor in ascertaining the amount of profit to be disclosed.

3: Business under presumptive scheme is additional business and no separate books are maintained for the same

- Since the books of account are not maintained for the business covered in presumptive scheme, the Tax Auditor will be unable to find out the correctness of the net income credited and he should give a suitable note expressing his inability to verify the said figure.
- Since the Tax Auditor is not able to form his opinion as to true and fair view of the accounts of the assessee, it would be necessary for him to qualify his audit report in Form no 3CB.

I hope this document is of use to you. I thank *Ms. Alisha & Ms. Bhumika* in assisting me to compile this part of the series. Your suggestions and comments would be highly appreciated

Best Regards

CA. Pramod Jain
pramodjain@lunawat.com
+91 9811073867