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Namaste

In Series - 21 we would discuss various Comments / Observations / Disclaimers that an auditor should / could make in Form 3CA or Form 3CB as the case may be.

The Comments / Observation / Disclaimers should NOT BE copied and pasted IN ALL CASES, but should be used from case to case as per audit process adopted by him/them. The comments, etc. discussed below should be amended as per the situation of the assessee's records and explanations in writing. There could be various other comments, etc. depending on case to case, which the auditor should make as per specific requirement of the audit of assessee.

In Form 3CB - Para 3(a)

Assessee's Responsibility for the Financial Statements

- The assessee is responsible for the preparation of the aforesaid financial statements that give a true and fair view of the balance sheet and profit and loss in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Tax Auditor's Responsibility

- My/ Our responsibility is to express an opinion on these financial statements based on my/our audit. I/We have conducted this audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in



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order to design audit procedures that are appropriate in the circumstances but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

- I/We believe that the audit evidence I/we have obtained is sufficient and appropriate to provide a basis for my/our audit opinion.

Others

- *In case, financial statements of previous year were not under audit* - The opening balances have been taken and relied upon by us from the unaudited financial statements of previous year provided to us by the assessee.
- *In case financial statements do not comply with Accounting Standards* – The financial statements do not comply with AS (specify the standard) issued by the Institute of Chartered Accountants of India, which would have resulted in reducing / increasing the profits by Rs. ____ OR the impact of which is not ascertainable.

In Para 3 of Form 3CA OR Para 5 of Form 3CB

Assessee's Responsibility for Statement of Particulars in Form 3CD

- The assessee is responsible for the preparation of the statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961 annexed herewith in Form No. 3CD read with Rule 6G(1)(b) of Income Tax Rules, 1962 that give true and correct particulars as per the provisions of the Income-tax Act, 1961 read with Rules, Notifications, circulars etc that are to be included in the Statement.

Tax Auditor's Responsibility

- I/We are responsible for verifying the statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961 annexed herewith in Form No. 3CD read with Rule 6G (1) (b) of Income-tax Rules, 1962. I/ We



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have conducted my/our verification of the statement in accordance with Guidance Note on Tax Audit under section 44AB of the Income-tax Act, 1961, issued by the Institute of Chartered Accountants of India.

**For various clauses of Form 3CD
in
Para 3 of Form 3CA OR Para 5 of Form 3CB**

- **Clause 21(a)**
 - As observed by us and as explained to us, there was no personal expenditure incurred by the assessee apart from any contractual obligation. OR
 - Expenses incurred for employees as per the terms of employment or the company's business policies have not been regarded as 'personal expenses'. OR
 - It is not possible to us to support the conclusion that the expenditure like vehicle running, telephone, conveyance expenses was wholly and exclusively laid out for the business purpose.
- **Clause 21(d)** - Though we have not noticed any payment in excess of Rs.10000/- or Rs. 35000/- (in case of plying, hiring or leasing goods carriages) have been made in contravention of section 40A (3) / 40A (3A) read with rule 6DD, however the assessee did not possess necessary evidence to verify the same.
- **Clause 22** – As informed by the assessee, he / it does not have relevant information regarding any micro or small enterprise which is registered under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006, hence amount due and interest payable is not ascertainable.
- **Clause 23** - For ascertaining the persons covered under section 40A (2)(b), we have relied on the list provided and certified by the assessee.
- **Clause 29B** – Where Stamp duty value is different than the consideration paid for acquisition of immovable property:
 - Stamp duty Value of immovable property was Rs. _____
 - Consideration (transaction value) for acquisition of property was Rs. _____
 - The assessee is of the view that FMV does not exceed the consideration and he intends to contest the same before the assessing officer, hence as per assessee there would be no income chargeable to tax u/s 56(2)(x) on this account.



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- **Clause 31(a)(v)** - It is not possible for me/us to verify whether loans or deposits have been taken or accepted otherwise than by an account payee cheque or account payee bank draft, as the necessary evidence is not in the possession of the assessee.
- **Clause 31(b)(iv)** - It is not possible for me/us to verify whether specified sum have been taken or accepted otherwise than by an account payee cheque or account payee bank draft, as the necessary evidence is not in the possession of the assessee.
- **Clause 31(bb)** - It is not possible for me/us to verify whether the assessee received an amount exceeding the limit specified in section 269ST in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasions from a person, by an account payee cheque or an account payee bank draft, during the previous year as the necessary evidence is not in the possession of the assessee.
- **Clause 31(bd)** - It is not possible for me/us to verify whether the assessee paid an amount exceeding the limit specified in section 269ST in aggregate to a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasions to a person, by an account payee cheque or an account payee bank draft, during the previous year as the necessary evidence is not in the possession of the assessee.
- **Clause 31(c)(v)**
 - It is not possible for me/us to verify whether loans or deposits or specified advance have been paid otherwise than by an account payee cheque or account payee bank draft, as the necessary evidence is not in the possession of the assessee
 - Rs. _____ being unsecured loans have been converted into equity vide members resolution in EGM dated ____ and have not been reported as repayment otherwise than by an account payee bank cheque or account payee bank draft or use of electronic clearing system.
- **Clause 31(d)(ii)** - The repayment of the loan instalment by employees received during the year includes Rs. _____ adjusted with their salary dues by way of regular adjustment entries and has not been reported as repayment received otherwise than by an account payee bank cheque or account payee bank draft or use of electronic clearing system.
- **Clause 31(e)(ii)** - It is not possible for me/us to verify whether the assessee received the repayment of loan or deposit or specified advance of an amount



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exceeding the limit specified in section 269T by an account payee cheque or an account payee bank draft, during the previous year as the necessary evidence is not in the possession of the assessee

- **Clause 34** - We have verified the compliance with the provisions of Chapter XVII-B / XVII-BB regarding deduction of tax at source and regarding the payment thereof to the credit of the Central Government in accordance with the Auditing Standards generally accepted in India which includes test checks and the concept of materiality. Such audit procedures did not reveal any significant non-compliance with the provisions of Chapter XVII-B / XVII-BB.
- **Clause 35(b)**
 - The assessee has not provided / maintained adequate records for our verification regarding the principal items of raw materials, finished products and by-products as required to be reported in this clause. OR
 - As explained by the assessee, keeping in view the nature, volume of the business and due to numerous items, it is not practically possible for the assessee to maintain any stock book to record quantities of each and every inward and outward of such goods on day to day basis, hence information under this clause is not feasible.
- **Clause 36A** - The assessee could not provide appropriate information / details to determine accumulated profits to enable us to report that the loan / advance received by the assessee is deemed dividend or not u/s 2(22)(e).

I thank *CA. Baldev Raj ji* and *CA. R. G. Agarwal ji* in compiling this concluding part of the series.

I hope this document is of use to you. Your suggestions and comments would be highly appreciated

Best Regards

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