

CARO 2020



CA. PRAMOD JAIN

FCA, FCS, FCMA, LL.B, MIMA, DISA, IP

Shared at

North Campus CA CPE Study Circle of NIRC of ICAI
21st July 2022

AS

- **Companies (Accounting Standards) Rules, 2021 notified vide notification dated 23.06.2021**
- **Effective for accounting periods commencing on or after 1st April, 2021**
- **These have replaced Companies (Accounting Standards) Rules, 2006**

AS Applicability for Companies Other than Ind AS

➤ Effective for Accounting Periods from 1.4.2021

Conditions	SMC			Other than SMC	
	Existing	Revised		Existing	Revised
Turnover (excluding other Income) in PY	< 50 Cr	< 250 Cr		> 50 Cr	> 250 Cr
Borrowing (including public deposit)	< 10 Cr	< 50 Cr		>10 Cr	> 50 Cr

SMC Disclosure

- **For FS upto 31.3.2021** - “The Company is a Small and Medium Sized Company (SMC) as defined in the General Instructions in respect of Accounting Standards notified under the Companies Act, 2013. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company.”
- **For FS from 1.4.2021** - “The Company is a Small and Medium Sized Company (SMC) as defined in the Companies (Accounting Standards) Rules, 2021 notified under the Companies Act, 2013. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company.”

AS Applicability for Non-Companies

- Effective for Accounting Periods from 1.4.2020
- Instead of 3 levels.. Now 4 levels

Level	Turnover			Borrowing	
	Existing	Revised		Existing	Revised
I (Large)	> 50 Cr	> 250 Cr		> 10 Cr	> 50 Cr
II (Medium)	1-50Cr	50-250 Cr		1-10 Cr	10-50 Cr
III (Small)	< 1 Cr	10-50 Cr		< 1 Cr	2-10 Cr
IV (Micro)		< 10 Cr			< 2 Cr

MSME Disclosure Non Corporate

- **“The Entity is a Micro Small and Medium Sized Enterprise (MSME) as per the announcement made by ICAI and has complied with the Accounting Standards insofar as they are applicable to entities falling in Level II or Level III or Level IV, as the case may be.”**

AS Applicability

AS No.	Short Title	Companies		Non - Companies			
		Non-SMC	SMC	L - I	L- II	L - III	L - IV
1	Accounting Policies	Y	Y	Y	Y	Y	Y
2	Inventories	Y	Y	Y	Y	Y	Y
3	Cash Flow	Y	N/Y	Y	N	N	N
4	Events after Balance Sheet date	Y	Y	Y	Y	Y	Y
5	Prior Period Items & Policies	Y	Y	Y	Y	Y	Y
6	Depreciation (Omitted w.e.f. 30.3.16)	NA	NA	NA	NA	NA	NA
7	Construction	Y	Y	Y	Y	Y	Y
9	Revenue	Y	Y	Y	Y	Y	Y
10	Property, Plant & Equipment	Y	Y	Y	Y#	Y#	Y#
11	Foreign Exchange	Y	Y	Y	Y	Y#	Y#
12	Government Grants	Y	Y	Y	Y	Y	Y
13	Investments	Y	Y	Y	Y	Y	Y#
14	Amalgamations	Y	Y	Y	Y	Y	N
15	Employee Benefits	Y	Y#	Y	Y#	Y#	Y#

AS Applicability

AS No.	Short Title	Companies		Non - Companies			
		Non-SMC	SMC	L - I	L- II	L - III	L - IV
16	Borrowing Cost	Y	Y	Y	Y	Y	Y
17	Segment	Y	N	Y	N	N	N
18	Related Party	Y	Y	Y	Y	N	N
19	Leases	Y	Y#	Y	Y#	Y#	Y#
20	Earning Per Share	Y	Partly	N	N	N	N
21	Consolidation	N/Y	N/Y	(listed)	N	N	N
22	Deferred Taxes	Y	Y	Y	Y	Y	Partly
23	Consolidated Statements	N/Y	N/Y	(listed)	N	N	N
24	Discontinuing Operation	Y	Y	Y	Y	N	N
25	Interim Reporting	Y (listed)	N*	N	N	N	N
26	Intangible Assets	Y	Y	Y	Y	Y	Y#
27	Interest in Joint Ventures	N/Y	N/Y	(listed)	N	N	N
28	Impairment	Y	Y#	Y	Y#	Y#	N
29	Contingency	Y	Y#	Y	Y#	Y#	Y#

Formats of Financial Statements for Non-corporate Entities



Balance Sheet



Name of the Non-Corporate Entity.....

Balance Sheet as at

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	1	2	3	4
I.	EQUITY AND LIABILITIES			
	(1) Owners' Fund			
	(a) Owners Capital Account			
	(b) Reserves and surplus			
(2)	Non-current liabilities			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(c) Other Long Term Liabilities			
	Long-term provisions			
(3)	Current liabilities			
	(a) Short-term borrowings			
	(b) Trade payables:- (A) total outstanding dues of MSME and (B) total outstanding dues of creditors other than micro, small and medium enterprises .			
	(c)Other current liabilities			
	(d)Short-term provisions			
	TOTAL			
II.	ASSETS			
(1)	Non-Current Assets			
	(a) Property, Plant and Equipment & Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(iii) Capital work-in-progress			
	(iv) Intangible assets under development			
	(b) Non-current investment			
	(c) Deferred tax assets (net)			
	(d) Long-term loans and advances			
	(e) Other non-current assets			
(2)	Current assets			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and bank balances			
	(e) Short-term loans and advances			
	(f) Other current assets			
	TOTAL			



STATEMENT OF PROFIT AND LOSS

Name of the Non-Corporate Entity.....**CA. Pramod Jain**

Statement of Profit and loss for the year ended
(Rupees in.....)

	Particulars	Note	Figures for the current reporting period (in rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the previous reporting period (in Rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	1	2	3	4
I.	Revenue from operations		xxx	Xxx
II.	Other income		xxx	Xxx
III.	Total Income (I + II)		xxx	Xxx
IV.	Expenses			
(a)	Cost of Goods Sold			
(b)	Employee benefits expense		xxx	Xxx
(c)	Depreciation and amortization expense		xxx	Xxx
(d)	Finance Cost		xxx	Xxx
(e)	Other expenses		xxx	xxx

	Particulars	Note	Figures for the current reporting period (in Rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the previous reporting period (in rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	Total expenses		xxx	xxx
V	Profit before exceptional and extraordinary items & tax (III-IV)		xxx	xxx
VI	Exceptional items		xxx	xxx
VII	Profit before extraordinary items and tax (V - VI)		xxx	xxx
VIII	Extraordinary Items		xxx	xxx
IX	Profit before tax (VII- VIII)		xxx	xxx
X	Tax expense:			
(i)	Current tax		xxx	xxx
(ii)	Deferred tax		xxx	xxx
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		xxx	xxx
XII	Profit/(loss) from discontinuing operations		xxx	xxx
XIII	Tax expense of discontinuing operations		xxx	xxx
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XV	Profit/ (Loss) (XI + XIV)		xxx	xxx

Other Matters for Non-corporates

- ➔ **List of Trade Receivables / Payables**
- ➔ **List of unsecured Loans**
- ➔ **Notes to the Accounts**
- ➔ **Significant accounting policies**
- ➔ **MSMED Act 2006**

CARO 2020

- **Companies (Auditor's) Report Order 2020 notified on 25th February 2020.**
- **Effective for FYs Commencing on or after 1.4.2021. (extended from 1.4.2019)**
- **Past few CAROs**
 - **CARO 2016 – FY 2015-16 & onwards**
 - **CARO 2015 – FY 2014-15 & onwards**
 - **CARO 2013 – July 2013**
 - **CARO 2004**
 - **CARO 2003**
 - **MAOCARO 1988**

CARO 2020

- CARO 2016 – 16 Clauses
- CARO 2020 – 21 Clauses (47 sub-clauses)
- No Change – 5 clauses
- Amended / rearranged clauses – 9
- Reintroduced – 2 with change
- New – 5 clauses
- Deleted -1 clause

SUB-CLAUSES

Clause No.	No. of Sub-Clauses	Clause No.	No. of Sub-Clauses
(i)	5	(xii)	3
(ii)	2	(xiii)	1
(iii)	6	(xiv)	2
(iv)	1	(xv)	1
(v)	1	(xvi)	4
(vi)	1	(xvii)	1
(vii)	2	(xviii)	1
(viii)	1	(xix)	1
(ix)	6	(xx)	2
(x)	2	(xxi)	1
(xi)	3		

CARO APPLICABILITY

- No major change as compared to CARO 2016
- Applicable to all including Foreign Co. for a/cing period after 1.4.21 except:
 - Banking Co. / Insurance Co.
 - Section 8 Co.
 - OPC
 - Small Co.
 - Not applicable to CFS except clause 21
 - Branch auditor also covered, if applicable to co.

CARO APPLICABILITY

- ➔ Pvt. Co **not** being sub. or holding of Pub. Co. whose:
 - ➔ Paid up Capital & Reserves < **1 Cr** as at B/s date; and
 - ➔ Bonus, Pref. shares to be included
 - ➔ Share Application money !!
 - ➔ All reserves to be included including revaluation reserve

CARO APPLICABILITY

- Pvt. Co not being sub./holding of Pub. Co.:
- Outstanding Loans - Bank or Fls < 1 Cr during FY; and
 - All borrowings included – ST and LT
 - Non fund based – to extent devolved, invoked guarantees & devolved LCs
 - TL – interest accrued & due only to be considered
 - CC – Max. balance on any day as per books
 - OD against FD included
 - Outstanding due of Credit card included
 - Foreign banks covered - Fls include NBFC

CARO APPLICABILITY

- ➡ Pvt. Co not being sub. or holding of Pub. Co. whose:
 - ➡ Total Revenue (including from discontinuing operations) < 10 crores as per Financial Statements as per Schedule III
 - ➡ Other income included

APPLICABILITY???

➡ A Pvt. Ltd. Co whose details are as under:

- ➡ Paid up Capital – Rs. 75 Lacs
- ➡ Reserves & Surplus – Rs 800 Lacs
- ➡ Turnover Rs. 580 Lacs
- ➡ Other Income Rs. 900 Lacs
- ➡ Is CARO Applicable??

➡ No

UNFAVOURABLE/QUALIFIED ANSWERS

- If answer to any of questions is unfavourable or qualified, auditor's report shall also **state the basis** for such unfavourable or qualified answer, as the case may be.
- If auditor is **unable to express any opinion** on any specified matter – **indicate such fact together with reason as to why it is not possible** for him to give his opinion on same.
- Reporting on those matters only which are applicable to Company

PERIOD

- Compliance should be judged with reference to whole accounting year and not merely with reference to the position existing at the b/s date or date at which he makes his report.
- Compliance to any of clause post b/s date should not be taken into consideration for reporting as at B/s date unless the compliance of clause itself requires consideration of post b/s events. For e.g. clause (xix).
- Read the exact question and reply on all questions asked in relevant clause.

CARO – NO CHANGE

- ➔ 4 – S. 185 /186 Compliance
- ➔ 6 – Cost Records
- ➔ 7 – Statutory dues
- ➔ 13 – Related party Transactions
- ➔ 15 – Non cash transactions with directors or persons covered connected with him – S. 192 complied or not

CARO – NO CHANGE

➔ 7 – Statutory dues

- ➔ Regular in depositing
- ➔ If not, outstanding more than 6 months
- ➔ Disputed
- ➔ Statutory due arises out of a statute, rather than on an independent contractual or legal relationship
- ➔ Advance tax, TDS, Custom duty... if intt – irregular.
- ➔ Instalments granted by authority, penalty/intt covered
- ➔ Irregularity vs. due more than 6 months
- ➔ Mere show cause – not disputed, S. 154 – disputed
- ➔ If no appeal filed – undisputed dues
- ➔ Disclose disputed amounts even if provision made or amount deposited under protest

DELETED / REINTRODUCED

- Old 11 – managerial remuneration deleted – was inserted by CARO 2016
- 14 - Internal audit old CARO 2003 4(vii). Clause (b) is new
 - (a) Whether the company has an internal audit system commensurate with the size and nature of its business;
 - (b) Whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor;

14 – INTERNAL AUDIT

- Listed Co.
- Unlisted Public Co if:
 - Capital > 50 Cr. in preceding FY; or
 - Turnover > 200 Cr. in preceding FY; or
 - Outstanding loans from banks or PFIs > 100 Cr. At any point of time in preceding FY; or
 - Outstanding deposits > 25 Cr. at any point of time in preceding FY;
- Private Co if:
 - Turnover > 200 Cr. in preceding FY; or
 - Outstanding loans from banks or PFIs > 100 Cr. at any point of time in preceding FY
- Internal auditors being CAs covered by NFRA

AMENDED – 9 CLAUSES

- 1 – FA – intangible included plus detail if not held in name + revaluation + Benami
- 2 – Inventory – discrepancy 10%, Working capital limit 5 Cr – quarterly statements to banks agreement with books or not
- 3 – Loans & Investments
- 5 – Deposits – deemed deposits covered
- 9 – default in repayment of loans - old 8 + part of old 9 (Term Loan) + 4(xvii) of CARO 2003
- 10 – IPO / FPO- old 9 minus term loan + 42/62 (old 14)
- 11 – Fraud amended old 10 + 143(12) reporting, whistle blower
- 12 – Nidhi amended old 12
- 16 - NBFC amended

AMENDED – CL. 1

- ➔ 1 – FA – Earlier 3 sub-clauses – Now 5(6).
- ➔ (a) (A) whether company is maintaining proper records showing full particulars, including quantitative details & situation of PPE;
 - ➔ FAR in electronic form if 2 conditions satisfied:
 - ➔ Controls & security measures in Co. are such that once finalised, FAR cannot be altered without proper authorization & audit trail.
 - ➔ FAR can be retrieved in a legible form.
 - ➔ In case above conditions not satisfied, to obtain duly authenticated print-out of FAR. In case auditor decides to rely on electronically FAR - to maintain adequate documentation evidencing evaluation of controls that seek to ensure completeness, accuracy & security of register.

AMENDED – CL. 1

- (B) Whether the company is maintaining proper records showing full particulars of intangible assets;
 - Consider applicable documentation requirements of intangible assets as laid down in Copyright Act, 1957, Patents Act, 1970, Trade Marks Act, 1999, Designs Act, 2000, IT Act 2000, etc.
 - Documents / Registers could be in form of narratives, SOPs, Ledgers in ERP platforms, etc
- (b) Whether these PPE have been physically verified by management at reasonable intervals; - material discrepancies were noticed - properly dealt with in books of a/c

AMENDED – CL. 1

- ➔ (c) Whether title deeds of all immovable properties (other than properties where the company is lessee and the lease agreements are duly executed in favour of the lessee) disclosed in FS are held in name of company, if not, provide details thereof in format below

Description of property	Gross carrying value	Held in name of	Whether promoter, director or their relative or employee	Period held – indicate range, where appropriate	Reason for not being held in name of company* Dispute if any
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- ➔ Check in case of conversions
- ➔ TDR, Plt& Mach. Imbedded in land are not imm. Property
- ➔ Check in Notes to Schedule III

AMENDED – CL. 1

(d) Whether company has revalued its PPE (including Right of Use assets) or intangible assets or both during the year & if so:

- Whether revaluation is based on valuation by a Registered Valuer; - **Check in Notes to Schedule III**
- Specify amt of change, if change is $\leq 10\%$ in aggregate of net carrying value of each class of PPE or intangible assets **Check in FA Notes to Schedule III**

➤ (e) Whether any proceedings have been initiated or are pending against co. for holding any benami property under Benami Laws, if so, whether co. has appropriately disclosed details in its FS - **Check in Notes to Schedule III**

AMENDED – CL. 2

- (a) Whether physical verification of inventory has been conducted at reasonable intervals by the management
 - Whether, in the opinion of the auditor, the coverage and procedure of such verification by the management is appropriate;
 - Whether any discrepancies of 10% or more in the aggregate for each class of inventory were noticed and if so,
 - Whether they have been properly dealt with in the books of account;

AMENDED – CL. 2

- ➔ (b) Whether during any point of time of the year, co. has been sanctioned working capital limits in excess of Rs. 5 Crs., in aggregate, from banks or FIs on basis of security of current assets;
 - ➔ CC, OD, purchase/discount of bills, factoring... LC, BG
- ➔ Whether quarterly returns or statements filed by co. with such banks or FIs are in agreement with the books of account of Company,
 - ➔ Stock / book debt, credit monitoring arrangement reports, ageing analysis of debtors/other receivables, other financial information, provisional B/s
- ➔ If not, give details - Check in Notes to Sch. III

AMENDED – CL. 3

- Whether **during the year** company has made **investments in, provided any guarantee or security or** granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, LLPs or any other parties, **(earlier only u/s 189 covered – MBP-4)** if so,-
 - (a) whether during year company has provided loans or provided advances in the nature of loans, or stood guarantee, or provided security to any other entity **[not applicable to companies whose principal business is to give loans]**, if so, indicate-

AMENDED – CL. 3

- A. aggregate amount during year, and balance outstanding at the b/s date with respect to such loans or advances and guarantees or security to subsidiaries, joint ventures and associates;
- B. aggregate amount during year, and balance outstanding at the b/s with respect to such loans or advances and guarantees or security to parties other than subsidiaries, JV and associates;
- In both cases... only granted during yr – squared up also to be given

AMENDED – CL. 3

- ➔ (b) Whether investments made, guarantees provided, security given and terms & conditions of grant of all loans & advances in nature of loans & guarantees provided are not prejudicial to company's interest
 - ➔ CY, Terms s.186(7) (Loans), ability to lend, borrower standing, applicable to all companies including NBFC
- ➔ (c) In respect of loans & advances in nature of loans, whether schedule of repayment of principal and payment of interest has been stipulated & whether the repayments or receipts are regular;
 - ➔ Opening + CY, squared up loans covered – no. of cases

AMENDED – CL. 3

- (d) if amt is overdue, state total amt overdue for more than 90 days, & whether reasonable steps have been taken by co. for recovery of principal and interest;
 - CY + opening, no. of cases, principal amt overdue, intt overdue, steps taken
- (e) whether any loan/advance in nature of loan granted **which has fallen due during year, has been renewed/extended or fresh loans granted to settle overdues of existing loans given to same parties**, if so specify agg. amt of such dues renewed/extended or settled by fresh loans & % of aggregate to total loans or advances in nature of loans granted during yr [**not applicable if principal business is to give loans**]

CARO – CL. 3

- ➡ (f) whether co. has granted any loans or advances in nature of loans **either repayable on demand or without specifying any terms or period of repayment, if so,**
 - ➡ specify aggregate amount,
 - ➡ % thereof to total loans granted,
 - ➡ aggregate amt of loans granted to Promoters, related parties as defined in s. 2(76) –
- ➡ **Check in Notes to Schedule III**

AMENDED – CL. 5

- ➔ In respect of deposits accepted by company or **amounts which are deemed to be deposits**, whether directives issued by RBI and provisions of ss. 73 to 76 or any other relevant provisions of Companies Act & rules made thereunder, where applicable, have been complied with, if not, the nature of such contraventions be stated; if an order has been passed by CLB/NCLT/RBI/any court or any other tribunal, whether same has been complied with or not
- ➔ Not to comment on amounts which are not deposits, yet auditor should check.. They are exempt. See DPT-3 filed

AMENDED – CL. 9

- ➔ (a) whether the company has defaulted in repayment of loans or other borrowings **or in the payment of interest thereon to any lender**, if yes, the period and the amount of default to be reported as per the format below:

Nature of borrowing, including debt securities	Name of lender* Lender-wise if from bank, FI & Govt.	Amount not paid on due date	Whether principal or interest	No. of days delay or unpaid	Remarks, if any
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- ➔ Default – non payment of dues, FIs include NBFCs
- ➔ All defaults existing **on B/S date??** – even earlier years
- ➔ Govt. does not include – Foreign govt., Govt. Co, PSU, Boards, Corporations

AMENDED – CL. 9

- ➔ (b) Whether the company is a declared wilful defaulter by any bank or financial institution or other lender; - Check in Notes to Schedule III
 - ➔ RBI issues wilful defaulters list
 - ➔ Obtain CIBIL Rank Report
 - ➔ If not declared a wilful defaulter but received a show-cause notice - may disclose.
 - ➔ Obtain MRL for both.

AMENDED – CL. 9

- ➔ (c) Whether term loans were applied for the purpose for which the loans were obtained; if not, the amount of loan so diverted and the purpose for which it is used may be reported;
 - ➔ Check in Notes to Schedule III – its specific borrowing
- ➔ (d) Whether funds raised on short term basis have been utilised for long term purposes, if yes, the nature and amount to be indicated;

AMENDED – CL. 9

- ➔ (e) whether the company has taken **any funds** from any entity or person on account of or to **meet the obligations of its subsidiaries, associates or joint ventures**, if so, details thereof with nature of such transactions and the amount in each case;
- ➔ (f) whether the company has **raised loans** during the year on the **pledge of securities held in its subsidiaries, joint ventures or associate companies**, if so, give details thereof and also report if the company has defaulted in repayment of such loans raised;

AUDITOR RULE 11

- ➔ (e) (i) Whether the **management has represented that**, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries

AUDITOR RULE 11

- (ii) Whether the **management has represented, that**, to the best of it's knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- (iii) **Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii) contain any material mis-statement.**
- (f) Whether dividend declared or paid during year by company is in compliance with s. 123 of Companies Act, 2013.

AMENDED – CL. 10

- ➔ (a) whether moneys raised by way of IPO or FPO (including debt instruments) during year were applied for purposes for which those are raised, if not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported;
 - ➔ Default - amount involved , nature of default, delay in utilization
 - ➔ Co. to disclose end use of IPO/FPO in notes & auditor to verify – see SEBI (Listing Obl. & Dis. Req.) Reg.
 - ➔ Temporary investment (FDR) to be reported
 - ➔ Term Loans from Private Parties
 - ➔ If against property, FDR, etc – no specific purpose

AMENDED – CL. 10

- ➔ (b) whether company has made any preferential allotment or private placement of shares or convertible deb. (fully, partially or **optionally convertible**) during the year & if so, whether requirements of section 42 and **section 62** have been complied with & funds raised have been used for purposes for which funds were raised, if not, provide details in respect of amt involved & nature of non-compliance;

AMENDED – CL. 11

- (a) Whether any fraud by the company or any fraud on the company ~~by its officers or employees~~ has been noticed or reported during the year, if yes, the nature and the amount involved is to be indicated;
 - Only to report 'noticed or reported' frauds. 143(12) frauds to CG. Reported frauds u/s 143(12) to be reported not suspected frauds
- (b) Whether any report u/s 143 (12) has been filed by the auditors in Form ADT-4 with CG
- (c) Whether auditor has considered whistle-blower complaints, if any, received during the year by the company;

AMENDED – CL. 12

- ➔ (a) whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1:20 to meet out the liability;
- ➔ (b) whether the Nidhi Company is maintaining ten per cent. unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;
- ➔ (c) whether there has been any default in payment of interest on deposits or repayment thereof for any period and if so, the details thereof

AMENDED – CL. 16

- ➔ (a) Whether co. is required to be registered u/s 45-IA of RBI Act, 1934 & if so, whether registration has been obtained;
 - ➔ Understanding business, if principal business is Financing activity
 - ➔ 50-50 Test - Financial Assets > 50% of total assets and income from Financial assets > 50% of Gross Income
 - ➔ If required and registration not obtained reasons to be stated

AMENDED – CL. 16

- ➔ (b) Whether co. has conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Reg. (CoR) from RBI
- ➔ (c) Whether the company is a Core Investment Company (CIC) as defined in regulations made by the RBI, if so, whether it continues to fulfil criteria of a CIC, and in case co. is an exempted or unregistered CIC, whether it continues to fulfil such criteria;
- ➔ (d) Whether Group has more than 1 CIC as part of Group, if yes, indicate no. of CICs which are part of Group;

NEW – CL. 8

- Whether any transactions **not recorded** in books of account have been surrendered or disclosed as income during the year **in tax assessments** under the Income Tax Act, 1961
- If so, whether previously unrecorded income has been properly recorded in books of a/c during the year. - **Check in Notes to Schedule III**
 - Search / Survey
 - Unrecorded in the books of accounts and which were surrendered or disclosed as income in the tax assessments - have voluntarily admitted – VSVS not covered

NEW – CL. 17

- ➡ Taken from Clause 4(x) of CARO 2003 with some changes
- ➡ Whether the company has incurred **cash losses** in financial year and in the immediately preceding financial year, if so, state the amount of cash losses.
 - ➡ Earlier only if company existed for more than 5 years
 - ➡ Accumulated losses more than 50%

NEW – CL. 18

- Whether there has been any **resignation of the statutory auditors during the year**, if so, whether the auditor has taken into consideration the issues, objections or concerns raised by outgoing auditors.
 - Reasons mentioned for Resignation – ADT-3
 - Last Audit Reports
 - Communications / discussions / communications with TCWG, etc before accepting engagement.
 - Include in MRL- all material concerns / objections discussed by outgoing auditor has been shared
 - Documentation of Communication with Outgoing Auditor / Engagement Acceptance

NEW – CL. 19

- Whether auditor is of opinion that no material uncertainty exists as on date of audit report that company is **CAPABLE OF MEETING ITS LIABILITIES EXISTING AT DATE OF B/S** as and when they fall due within a period of 1 year from b/s date
- On basis of:
 - Financial ratios Check in Notes for ratios
 - Ageing and Expected dates of realisation of financial assets & payment of financial liabilities,
 - Other information accompanying FS,
 - Auditor's knowledge of BoD & Management Plans

NEW – CL. 19

➤ Audit Procedure

- Current vs. non-current liabilities
- Obtain list of liabilities as at year end & its due date of payments
- Test recoverability of financial assets & assess whether those shall be sufficient to meet liabilities as and when they fall due for payment.
- Peruse Directors' Report
- Plan submitted by management should be supported with related documentary evidences

NEW – CL. 20

- (a) Whether, in respect of other than ongoing projects, company has transferred unspent amount to a Fund specified in Schedule VII within a period of 6 months of expiry of FY in compliance with second proviso to s. 135(5) - Check in Notes to Schedule III
- (b) Whether any amount remaining unspent u/s 135(5) of the Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance with s. 135(6)
 - Within 30 days of FY end in Unspent CSR A/c -such amt shall be spent by co. in pursuance of its obligation towards CSR Policy within 3 FYs from date of such transfer, failing which, company shall transfer the same to a Fund specified in Schedule VII, within a period of 30 days from date of completion of 3rd FY


NEW – CL. 21

- ➔ Whether there have been any **qualifications or adverse remarks** by the respective auditors in the Companies (Auditor's Report) Order (CARO) reports of the companies included **in the consolidated financial statements**, if yes, indicate the details of the companies and the paragraph numbers of the CARO report containing the qualifications or adverse remarks
- ➔ This clause is only for CFS

APPROACH

- Submit a questionnaire on all important matters covered by CARO.
- Make specific inquiries in writing on all important matters not covered by the questionnaire.
- Insist that replies of company are furnished in writing and are signed by a responsible officer of company.
- Where explanations are not already separately recorded, maintain a record of the discussions with management.
- Have a Check-list
- Check in Notes to Schedule III – cls. 1, 2, 3, 8, 9, 19 & 20

CARO 2020

- 
- 1-3,5, amended
 - 4,6,7,13,15 no change
 - 8 New – surrendered income
 - 9 amended from old 8 + part of old 9 (Term Loan) + 4(xvii) of CARO 2003
 - 10 old 9 minus term loan + 42/62 (old 14)
 - 11 amended of old 10
 - 12 amended old 12
 - Old 11 – managerial remuneration deleted
 - 14 Internal audit (new) old CARO 2003 4(vii). (b) is new
 - 16 NBFC amended
 - 17 new – cash losses – changes from old 4(x) of CARO 2003
 - 18 New – resignation of statutory auditors
 - 19 New – Ratios
 - 20 New – CSR
 - 21 New – Qualifications in CARO in companies which are to be consolidated in CFS

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