COMPANY AUDIT OF SMALL & MEDIUM COMPANIES

Alwar Branch of CIRC of ICAI 13th May 2017

CA. PRAMOD JAIN FCA, FCS, FCMA, LL.B, MIMA, DISA
Financial Year – 31\textsuperscript{st} March

Cash Flow for all except:
- OPC
- SC
- DC

FS to be in Schedule III
- Amended w.e.f. 4.9.15 to include MSMED details under Trade Payable
Current Asset - satisfies any of following criteria;

+ In the company’s normal operating cycle it is;
  × Intended for sale; or
  × Intended to be consumed; or
  × Expected to be realized.

+ Held primarily for the purpose of being traded; or

+ Expected to be realized within 12 months after reporting date; or

+ Cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.
Current liability if it satisfies any of the following criteria; if it is:

- Expected to be settled in the company’s normal operating cycle; or
- Held primarily for the purpose of being traded; or
- Due to be settled within 12 months after reporting date; or
- The company does not have an unconditional right to defer settlement of liability for at least 12 months after reporting date. Terms of a liability that could, at option of counterparty, result in its settlement by issue of equity do not affect its classification.
General

- Balance Sheet Title – ‘as at’ or ‘as on’ 31st March
- Rounding off based on turnover.
  + < Rs. 100 Crores - To the nearest hundreds, thousands, lakhs or millions or decimal thereof
  + Rs. 100 Crores or more - To the nearest lakhs or millions or crores or decimal thereof
- Comparative figures required to be disclosed for the last reporting period
GENERAL

- Linking of notes with B/S & PL
- Previous year figures
- Name, DIN, designation & address of signatories to any document uploaded / filed with ROC
- B/s & PL on letterhead of Auditors!!
- Date of signing
- Payment to shareholders for 2(22)(e)
### FORM OF BALANCE SHEET (PART 1)

<table>
<thead>
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<th>Particulars</th>
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<td>(1) Shareholders’ Funds</td>
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<td>(a) Share capital</td>
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<td>(b) Reserve and Surplus</td>
<td>2</td>
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<td>(c) Money received against share warrants</td>
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<td>(2) Share application money pending allotment</td>
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<td>(3) Non-current Liabilities</td>
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<tr>
<td>(a) Long term borrowings</td>
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<tr>
<td>(b) Deferred tax liabilities (net)</td>
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<td>(c) Other long term liabilities</td>
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<td>(d) Long term provisions</td>
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<td>(4) Current Liabilities</td>
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<td>(a) Short term borrowings</td>
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<tr>
<td>(b) Trade payables</td>
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<td>(c) Other current liabilities</td>
<td>9</td>
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<td>(d) Short term provisions</td>
<td>10</td>
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<tr>
<td><strong>TOTAL</strong></td>
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</table>
SHARE CAPITAL & RESERVES

- Authorized / Paid up Capital – Check with Master Data
- Reconciliation of no of shares outstanding at beginning and at end of reporting period.
- Rights, preference & restrictions attaching to each class of shares etc.
- Is conversion of loans into shares in event of default in repayment – Non-cash?
- Share Premium A/c??
14 - **New** - Whether Co. has made preferential allotment / PP of shares or fully or partly convertible deb. during yr. Whether S. 42 complied & amount raised used for purposes for which funds were raised.

If not, details of amount involved and nature of non-compliance.
PRIVATE PLACEMENT - PROCEDURE

1. Special Resolution - MGT-14 (earlier offer should be complete)
2. Send letter of offer to persons from whom money to be raised < 50 persons > 200 per year
3. Send the detail of persons to whom offer sent to ROC within 30 days
4. On receiving amount, allot within 60 days
5. If not allotted refund within 15 days
6. If not refunded pay intt @ 12%
7. Send letter of offer to persons from whom money to be raised < 50 persons > 200 per year
8. Send the detail of persons to whom offer sent to ROC within 30 days
9. On receiving amount, allot within 60 days
10. If not allotted refund within 15 days
11. If not refunded pay intt @ 12%

CA. Pramod Jain
BORROWINGS

- Long Term vs. Short Term – CC Limits?? Demand Loans??
- Secured /unsecured – nature of security to be stated & guaranteed by directors to be shown separately.
- Term of repayment of term loans to be given
  + Period of maturity with respect to B/S date
  + Number of installments due
  + Amount of installments due
  + Applicable rate of interest
- Period & amount of default in payment of principal & interest as on B/S date
9 – New - Whether moneys raised by way of IPO / FPO (including debt instruments) & term loans were applied for purposes for which those are raised. If not, details together with delays / default & subsequent rectification.

- 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
LOANS TAKEN

- Section 73-76
- Section 185
Following may invite, accept or renew deposits:

- Banking companies - (RBI);
- NBFC – (RBI);
- Notified companies;
- Public company having net worth > 100 Cr or turnover > 500 Cr (Rules)

Others – only from its members subject to certain conditions (73(2)). – Pvt. Cos. upto 100% of capital + free reserves – 5.6.15 - 100% of capital + FR + SP – 26.6.16
**ACCEPTANCE OF DEPOSIT RULES 2014**

- Apply to all companies except Bank, NBFC & HFC
- Deposit includes receipt of money by way of loan, deposit or other form, but does not include:
  - Amount from Foreign Govt, Bank, etc as per FEMA
  - Amount received from Banks, PFIs, CPs
  - ICD
  - From director out of his own funds – to report in D.R. w.e.f. **15.9.15 – FS – 29.6.16**
  - From relative of director for Pvt. Co. out of his own funds – to report in D.R. w.e.f. **15.9.15 – FS – 29.6.16**
  - Convertible bond / debenture – shares within 5 years **10 from 29.6.16. & Listed unsecured NCD**
  - Interest free security deposit – employee – 1 yr salary
ACCEPTANCE OF DEPOSIT RULES 2014

- Non-Interest bearing amount received and held in Trust

- Business advances:
  - Supply of goods / services – within 365 days
  - Against Imm property – if adjusted as per agreement
  - Security deposit for performance of contract for supply of goods or provision of services
  - Advance under long term projects for supply of capital goods
  - Advance for providing future services in form of warranty or maintenance contract (written) upto 5 years – 29.6.2016
ACCEPTANCE OF DEPOSIT RULES 2014

+ Advance received and as allowed by sectoral regulator as per CG or SG – 29.6.2016

- If Co. accepting money does not have necessary permission or approval to deal in goods or properties or services - Deposit

- Subscription to chit under Chit Fund Act– 29.6.16

- Received by company in collective investment scheme in compliance with SEBI – 29.6.16
Rs. 25 Lakh or more by start up company in single tranche by convertible note (in equity or repayable within 5 years) – 29.6.16

Amount received from alternative investment funds, Domestic VC Funds, MF registered with SEBI – 29.6.16

Promoters - stipulation of any FI or a banks:-

- Loan is brought in pursuance of stipulation imposed by lending institutions on promoters to contribute such finance; and
- Loan is provided by the promoters themselves and/or by their relatives.
- Exemption available only till loans are repaid
ACCEPTANCE OF DEPOSIT RULES 2014

- Amt. received by Nidhi companies
- Public / Eligible – deposit – 6 m to 36 m
- Eligible company to obtain rating and to be attached with DPT 3 – 29.6.16
- If <6, 3 months - 10% of capital + free reserves
- Total deposit from members <25% of C + F. Reserve – 35% from 29.6.16
- Rate of Intt & commission not to exceed NBFC norms
- Auditors should take suitable note of violation of these provisions
5 - In case, co. has accepted deposits, whether directives issued by RBI & provisions of ss. 73 to 76 or any other relevant provisions of Companies Act, 2013 & rules framed thereunder, where applicable, have been complied with?

If not, nature of such contraventions be stated; If an order has been passed by CLB or NCLT or RBI or any court or any other tribunal, whether same has been complied with or not?
OTHER CURRENT LIABILITIES

- The amount shall be classified as:
  - Current maturities of long term debts
  - Current maturities of finance lease obligations
  - Interest accrued but not due on borrowings
  - Interest accrued and due on borrowings
  - Income received in advance
  - Unpaid dividends
  - Share Application money due for refund and interest accrued thereon (including advances for allotment of share Capital)
  - Unpaid matured deposit and interest thereon
  - Unpaid matured debentures and interest thereon
  - Other payables
Others payable may include:

- Statutory obligations like, ESI, PF, VAT, CST, etc.
- Liability for purchase of fixed assets
- Contractually reimbursable expenses
- Interest accrued on trade payables
- Expenses Payable.
- TDS Payable
- Trade / Security Deposit
- Mark-to-market loss on forward and option contracts
- Retention Monies
- Accrued salaries and benefits
<table>
<thead>
<tr>
<th>Particulars</th>
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<tbody>
<tr>
<td><strong>II. ASSETS</strong></td>
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<tr>
<td>(1) Non-current assets</td>
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<tr>
<td>(a) Fixed assets</td>
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<tr>
<td>(i) Tangible assets</td>
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<td>(ii) Intangible assets</td>
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<tr>
<td>(iii) Capital work-in-progress</td>
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<td>(iv) Intangible assets under development</td>
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<tr>
<td>(b) Non-current investments</td>
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<tr>
<td>(c) Deferred tax assets (Net)</td>
<td>14</td>
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<tr>
<td>(d) Long term loans and advances</td>
<td>15</td>
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<tr>
<td>(e) Other non-current assets</td>
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<td>(2) Current assets</td>
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<tr>
<td>(a) Current investments</td>
<td>16</td>
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<tr>
<td>(b) Inventories</td>
<td>17</td>
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<td>(c) Trade receivables</td>
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<td>(d) Cash and cash equivalents</td>
<td>18</td>
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<tr>
<td>(e) Short term loans and advances</td>
<td>19</td>
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<tr>
<td>(f) Other current assets</td>
<td>20</td>
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<td><strong>TOTAL</strong></td>
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</tbody>
</table>
Fixed Asset on the face of the Balance Sheet has to be classified as follows:

- Tangible Assets
- Intangible Assets
- Software
- Capital work-in-progress
- Intangible assets under development

Capital advances not to be grouped as Capital Work-in-Progress but long term loans and advances?
**INVENTORIES**

- **Classification into:**
  - Raw Materials
  - Work-in-progress
  - Finished goods
  - Stock-in-trade (trading goods)
  - Stores and spares
  - Loose tools
  - Others (specifying nature)

- Finished goods should include all goods except acquired for trading purposes
- Goods-in-transit - disclose under relevant sub-head
- Mode of valuation to be stated
RELATED PARTY

Accounting Standards
- AS 18

Companies Act
- S. 2(76)

Income Tax
- 40A(2)(b)

S. 184

S. 188
3 - Whether company has granted any loans, secured or unsecured to cos, firms, LLP or other parties covered is registered maintained u/s 189.[MBP-4] – 184(2)/188

If so,

(a) Whether terms & conditions of grant of such loans are not prejudicial to company’s interest;

CY only, terms s. 186(7), ability to lend, borrower standing
+(b) Whether the schedule of repayment of principal & interest is stipulated & whether repayments & interest are regular.

× Opening + CY, squared up loans covered – no. of cases

+(c) If overdue amount for more than 90 days, whether reasonable steps taken by Co. for recovery of the principal & interest

× Opening + CY – no. of cases, principal amt overdue, intt overdue, steps taken
LOANS / INVESTMENTS MADE

- Section 185
- Section 186
- Section 179 / 180
4 - In respect of loans, investments and guarantees, whether provisions of Section 185 and 186 have been complied with. If not, provide details thereof.

185 Details – maximum amount and closing Bal.

186 – more than 2 layers, exceeding limits, rate of interest, other defaults
Can a company take ICD?

What if the company from whom you take ICD has same director as your company?

What if the company from whom you take ICD has a member who is also a director in your company?
LOAN TO DIRECTOR (185)

- Co. not allowed directly or indirectly to advance any loan or any loan represented by book debt or give guarantee or provide security in connection with loan taken to:
  + Director of lending co or its partner or relative
  + Director of its holding co or its partner or relative
  + Firm in which such director or relative is partner
  + Pvt. Co. in which such director is Dir. or member
  + Co in which all directors hold >25% voting power
  + Co. or BOD or MD or Manager acts in direction or instruction of such director or BOD of lending co.
LOAN TO DIRECTOR – EXCEPTIONS

- MD or WTD if condition of service - all employees
- Any scheme approved by members by special resolution
- Co in business of providing loans - Interest rate > bank rate by RBI
- Loan, Guarantee, etc by holding co. to its WOSC
- Guarantee given or security provided by a holding in respect of loan made by bank or FI to its subsidiary
- However, it should utilised by Subs. Co. for principle business activities
EXCEPTIONS – PVT. CO.

- Shall not apply to a private company:
  - In whose share capital another body corporate has invested any money;
  - If the borrowings of such a company from banks or financial institutions or any body corporate is less than twice of its paid up share capital or Rs. 50 Crs, whichever is lower; and
  - Such a company has no default in repayment of such borrowings subsisting at the time of making transactions under this section.
- On Giver i.e., Company:
  - Minimum Rs. 5 Lacs
  - Maximum Rs. 25 Lacs
- On Taker i.e., director:
  - Imprisonment upto 6 months
  - Penalty - Minimum Rs. 5 Lacs
  - Penalty - Maximum Rs. 25 Lacs
- Auditor should ensure adequate disclosure in case of non-compliance
Company can make investment through not more than 2 layers of invest. Co. Exceptions:-

- Acquisition of any other company incorporated outside India if such other company has investment beyond two layers as per the laws of that country.
- Investment by subsidiary company in investment subsidiary for the purpose of meeting any requirement under any law in force.

Disclosure of details and purposes of loan, guarantee, investment in financial statement.

Cannot give any loan/investment if company is in default of paying deposit or interest and said default subsists.
GIVING LOAN & INVESTMENT (186)

- Giving of loan / investment exceeding limits – SR required.
- If Term loan from PFI prior approval required for loan investment etc beyond limits
- No SR required if a loan or guarantee given or security provided to its WOSC or a JV or for purchase / subscription of securities of WOSC. However disclosure required in FS
- No interest free loans – rate of interest – Govt securities
Exemption of provisions to

- Loan/Guarantee/Security provided by a Banking Co., Insurance Co., Housing Finance Co., Co. engaged in business of Financing of Cos., a Co. providing Infrastructural facilities

- Acquisitions by :-
  - NBFC whose principal business is acquiring Securities
  - A Company whose principal business is acquisition of securities
  - Right Issue.
On company
  + Minimum Rs.25000/-
  + Maximum Rs.5,00,000/-

On every Officer in Default
  + Imprisonment up to 2 yrs; or
  + Fine
    ✗ Minimum Rs.25000/-
    ✗ Maximum Rs.1,00,000/-; or
  + both
# Form of Statement of Profit and Loss

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<th>Figure for the PRP</th>
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<td>II. Other income</td>
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<tr>
<td>III Total Revenue (I + II)</td>
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<td>IV. Expenses</td>
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<td>V. Profit before exceptional and extraordinary items and tax (III - IV)</td>
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<td>VI. Exceptional items</td>
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<td>VII. Profit before extraordinary items and tax (V-VI)</td>
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<td>VIII. Extraordinary items</td>
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<td>XII Profit (Loss) from the discontinuing business</td>
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<tr>
<td>XIII Tax expenses of discontinuing operations</td>
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<tr>
<td>XIV. Profit (Loss) from discontinuing operations (after tax) (XII-XIV)</td>
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<tr>
<td>XV. Profit (Loss) for the period (XI+XIV)</td>
<td>29</td>
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<tr>
<td>XVI. Earnings per equity share</td>
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</tbody>
</table>
REVENUE FROM OPERATIONS

- For companies other than finance company:
  - Sale of Products
  - Sale of Services
  - Other Operating Revenues
    - Less: Excise Duty

- For Finance company:
  - Interest
  - Other Financial services

- As per AS 9 presentation for excise duty - on face of PL
OTHER INCOME

✖ To be classified as:
  + Interest income (other than for finance company)
  + Dividend
  + Dividend from subsidiary company
  + Net gain / loss on sale of investments
  + Other non-operating income

✖ Interest, dividend, etc. to be disclosed separately for Current as well as Non Current Investments

✖ Other Income be shown net off expenses. However expenses so netted off are to be shown separately.
Disclosure on face of the PL:

- Cost of material consumed
- Purchase of stock-in-trade
- Changes in inventories of finished goods
  Work-in-progress and stock in trade
- Employee benefit expenses
- Finance cost
- Depreciation and amortization expenses
- Other expenses.
FINANCE COST

- **Interest expense**
  - Interest on borrowings, debentures, bonds, etc.
  - Finance charges on finance lease are in nature of interest

- **Other borrowing costs**
  - Commitment charges
  - Loan processing charges
  - Guarantee charges
  - Loan facilitation charges
  - Discounts/ premium on borrowings
  - Other ancillary costs

- Applicable net loss on foreign currency transactions to the extent they are regarded as adjust to interest cost

- Interest on Tax???
OTHER EXPENSES

- All other expenses will be grouped here. Following to be disclosed separately:
  - Consumption of stores and spares
  - Power and fuel
  - Rent
  - Repairs to buildings
  - Repairs to machinery
  - Insurance
  - Rates and taxes, excluding taxes on income
  - Miscellaneous expenses

- Any expenditure which exceeds 1% of revenue from operations or Rs.1 L whichever is higher - separate
Notes to the Accounts
NOTES TO ACCOUNTS

- Contingent Liabilities / Commitments (to the extent not provided for)
- Broad Heads – RM, Income, Purchases
- Value of imports made during the year on CIF basis:
  - Raw Materials
  - Components (intermediaries & components) & Spare Parts (for capital equipment)
  - Capital Goods
NOTES TO ACCOUNTS

- Exp. in foreign currency (accrual basis) on:
  + Royalty
  + Know-how
  + Professional & consultation fee
  + Interest
  + Others

- Dividend if paid in FC (cash Basis):
  + Total amount remitted during the year in FC
  + Total no. of non-resident shareholders
  + No. of shares held by them on which dividend due
  + Year to which dividend relates
NOTES TO ACCOUNTS

- Foreign Exchange Earnings (Accrual basis):
  + Export of goods (calculated on F.O.B. basis)
  + Royalty, know how, professional and consultation fees
  + Interest and dividends
  + Other income (indicating the nature thereof)
OTHER DISCLOSURES IN NOTES

To disclose in FS full particulars of:

+ Loan given;
+ Investment made;
+ Guarantee given; or
+ Security Provided.

+ Purpose for which loan or guarantee or security is proposed to be utilised by recipient of loan or guarantee or security [186(4)]

- Contribution during yr to National Defence Fund
- Amount contributed to Political Party and name of party [182(3)]
OTHER DISCLOSURES IN NOTES

- Public Companies:
  - Money received from director

- Private companies
  - Money received from director
  - Money received from relative of director
**AMENDMENT IN SCHEDULE III**

- Amended w.e.f. 30<sup>th</sup> March 2017.

- Every company to disclose details of SBN held & transacted during 8/11/2016 to 30/12/2016.

<table>
<thead>
<tr>
<th></th>
<th>SBNs</th>
<th>Other denomination notes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing cash in hand as on 8.11.2016</td>
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<tr>
<td>(+) Permitted receipts</td>
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<tr>
<td>(-) Permitted payments</td>
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<tr>
<td>(-) Amount deposited in Banks</td>
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<tr>
<td>Closing cash in hand as on 30.12.2016</td>
<td></td>
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</tbody>
</table>
AS DISCLOSURES IN NOTES

- SMC / Non-SMC
- AS 1
- FS to be prepared in compliance of AS
- FS has to be AS compliant:
  - FS to disclose deviation from AS
  - Reason for deviation
  - Financial effect arising of deviation
- AS 2 (Valuation of Inventories)
- AS 4 (Contingencies and Events Occurring after the Balance Sheet Date)
- AS 6 (Depreciation Accounting requirements for depreciation are now incorporated in revised AS 10)
- As 10 (Property, Plant and Equipment)
- AS 13 (Accounting for Investments)
- AS 14 (Accounting for Amalgamation)
- AS 21 (Consolidated Financial Statements)
- AS 29 (Provisions, Contingent Liabilities and Contingent Assets)
- AS 6 omitted
- AS 10 – Property Plant & Equipment. For tangible only
- PPE are tangible items that:
  - Are held for use in production or supply of goods or services, for rental to others, or for administrative purposes; AND
  - Are expected to be used during more than a period of twelve months
- It now includes bearer plants, biological assets too
- Provides for recognizing & derecognizing costs of replacement of:
  - Parts
  - Major inspection costs
- Capitalization of decommissioning, restoration & similar liabilities – other than for producing inventories
If deferred payments – interest subject to AS 16
- Revaluation model or Cost model
- Revaluation of entire class not specific asset
- Investment Property in AS 13 only at Cost Model
- Component accounting
- Change in depreciation is now accounting estimate
- No gross block / net block but now – carrying amounts
- Enhanced disclosures – restrictions, pledge on PPE
- Spare parts, which were being treated as inventory & are now required to be capitalised as per AS 10, to be capitalised at their carrying amounts & depreciated over their remaining useful lives prospectively
OTHER IMPORTANT AMENDMENTS

- **AS 2** - Earlier - Machinery Spares which can be used only with item of a fixed asset were FA if its use is irregular.
  - Now - spare parts, servicing equipment and standby equipment to be FA only as per AS 10 (PPE) – 12 month
  - Common classification for inventories would include Stock-in-trade (in respect of goods acquired for trading)
- **AS 4** – no provision for proposed dividends now
OTHER IMPORTANT AMENDMENTS

- **AS 13** – Investment property at cost model - AS 10 less depreciation and any impairment costs
- **AS 14** – Amalgamation - Limited revision to include reference to Companies Act, 2013
- **AS 21** - Where no subsidiary but an associate / JV, to prepare CFS as per applicable AS
- **AS 29** - Discounting of decommissioning, restoration & similar liabilities as per AS 10 at pre-tax rate that reflect the current market assessment of time value of money & and the risks specific to the liability
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015-16</td>
<td>- Any company voluntary</td>
</tr>
<tr>
<td>FY 2016-17</td>
<td>- All companies having net worth of rupees 500 crore or more.</td>
</tr>
<tr>
<td></td>
<td>- Holding, subsidiary, joint venture or associate companies of above</td>
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<tr>
<td></td>
<td>companies.</td>
</tr>
<tr>
<td>FY 2017-18</td>
<td>- Cos. whose equity or debt securities are listed or are in the process of</td>
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<td></td>
<td>being listed on any stock exchange in India or outside India and having</td>
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<td></td>
<td>net worth of &lt; Rs. 500 crore.</td>
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<td>- Unlisted companies having net worth of Rs. 250 crores or more but less than</td>
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<td></td>
<td>Rs. 500 crore.</td>
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<tr>
<td></td>
<td>- Holding, subsidiary, joint venture or associate companies of above</td>
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<td></td>
<td>companies.</td>
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<tr>
<td>AS No.</td>
<td>Short Title</td>
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<tr>
<td>1</td>
<td>Accounting Policies</td>
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<tr>
<td>2</td>
<td>Inventories</td>
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<tr>
<td>3</td>
<td>Cash Flow</td>
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<td>4</td>
<td>Events after Balance Sheet date</td>
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<td>5</td>
<td>Prior Period Items &amp; Policies</td>
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<td>7</td>
<td>Construction</td>
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<tr>
<td>9</td>
<td>Revenue</td>
</tr>
<tr>
<td>10</td>
<td>Property, Plant and Equipment</td>
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<tr>
<td>11</td>
<td>Foreign Exchange</td>
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<tr>
<td>12</td>
<td>Government Grants</td>
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<tr>
<td>13</td>
<td>Investments</td>
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<tr>
<td>14</td>
<td>Amalgamations</td>
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<tr>
<td>15</td>
<td>Employee Benefits</td>
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<td></td>
<td>Borrowing Cost</td>
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<tr>
<td>16</td>
<td>Y</td>
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<tr>
<td>17</td>
<td>Segment</td>
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<td>18</td>
<td>Related Party</td>
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<tr>
<td>19</td>
<td>Leases</td>
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<tr>
<td>20</td>
<td>Earning Per Share</td>
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<tr>
<td>21</td>
<td>Consolidation</td>
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<td>22</td>
<td>Deferred Taxes</td>
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<td>23</td>
<td>Consolidated Statements</td>
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<td>24</td>
<td>Discontinuing Operation</td>
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<td>25</td>
<td>Interim Reporting</td>
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<tr>
<td>26</td>
<td>Intangible Assets</td>
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<tr>
<td>27</td>
<td>Interest in Joint Ventures</td>
</tr>
<tr>
<td>28</td>
<td>Impairment</td>
</tr>
<tr>
<td>29</td>
<td>Contingency</td>
</tr>
</tbody>
</table>
FILING OF FS

- To be filed with ROC in Form AOC -4 within 30 days of AGM – To be certified by CA only
- Notified Companies in XBRL
- After 300 days –
- Fine on
  + Company – 1k p. d > 10 L;
  + MD, etc in charge by Board- if no one – all directors
    - Imp. upto 6mnths or
    - Fine – 1L k to 5L or Both
ANNUAL RETURN - PENALTY

- If filed within 60 days – normal fee
- If filed after 60 days but before 330 days – additional fee,
- After that fine:
  - On Company
    + minimum 50K
    + maximum – 500K
  - On Officer in default
    + Imprisonment upto 6 months or
    + fine 50 k to 500k or
    + both
AUDIT

CA. Pramod Jain
AUDIT PROCEDURE

Appointment → Engagement → Understanding the Client

Planning
- Materiality
- Risk Assessment

Execution
- Audit Program
- Checklists
- SAs

Representations
- MR
- Certificates

Reporting → Billings / Collections
AUDITING STANDARDS

- Auditor to comply with auditing standards
- NFRA to notify auditing standards. Till NFRA does – as by ICAI
- Total 38 SAs

<table>
<thead>
<tr>
<th>SA. No.</th>
<th>Sub-division</th>
<th>No.</th>
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<tbody>
<tr>
<td>100-199</td>
<td>Introductory Matters</td>
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<tr>
<td>200-299</td>
<td>General Principles &amp; Responsibilities</td>
<td>9</td>
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<td>300-499</td>
<td>Risk Assessment and Response to Assessed Risks</td>
<td>6</td>
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<tr>
<td>500-599</td>
<td>Audit Evidence</td>
<td>11</td>
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<tr>
<td>600-699</td>
<td>Using Work of Others</td>
<td>3</td>
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<tr>
<td>700-799</td>
<td>Audit Conclusions and Reporting</td>
<td>6</td>
</tr>
<tr>
<td>800-899</td>
<td>Specialized Areas</td>
<td>3</td>
</tr>
</tbody>
</table>
Inquiry u/s 143(1) – 6 points
To be reported when comments required

Report to also include:
Matters specified u/s 143(3) - 9 points
Matters specified in Rules - 3 points + 1 point for demonetization
Any order made u/s 143(3) for specified Companies in consultation with NFRA – CARO 2016 – 16 points
Applicable to all including Foreign Co. Except:
- Banking Co. / Insurance Co.
- Section 8 Co.
- OPC
- Small Co.
- Pvt. Co not being sub. or holding of Pub. Co. whose:
  - Paid up capital & reserves < 1 Cr as at B/s date; and
  - Outstanding Loans from bank or FIs < 1 Cr; and
  - Total Revenue (including from discontinuing operations < 10 crores as per Financial Statements as per Sch III
  - During the FY as per FS
- Not applicable on CFS
 INTERNAL FINANCIAL CONTROL - IFC

- Mandatory for Auditor to report on adequacy of IFC & operating effectiveness of such controls w.e.f. 2015-16
- IFC means policies & procedures adopted by co. for ensuring:
  - Orderly & efficient conduct of its business, including adherence to company’s policies,
  - Safeguarding of its assets,
  - Prevention and detection of frauds and errors,
  - Accuracy and completeness of the accounting records,
  - Timely preparation of reliable financial information
Term ‘IFC’ in S. 143(3)(i) would relate to ‘IFC over Financial Reporting’ in accordance with objectives of an audit stated in SA 200 “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing”

Auditor needs to obtain reasonable assurance to state:

+ Whether an adequate IFC system was maintained &
+ Whether such IFC system operated effectively in co. in all material respects with respect to financial reporting only.
Whether the company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016

And if so

Whether these are in accordance with the books of accounts maintained by the company.
ICAI implementation Guide for amendment to Auditor Report & Schedule III issued on 15th April 2017

Disclosure should be mentioned in terms of INR, thus there is no specific requirement to mention the denomination also in which closing cash balance during the specified period was held.

Auditors also to report for all reports issued after 30th March 2017.
WHAT TO DO

- Obtain cash balance certificates with denominations as on 8.11.16 & 30.12.16
- Obtain cash book and bank statements for demonetization period – keep a signed copy in audit documents, wherever feasible
- Perform audit procedures
- Verifying permitted SBN transactions
- Obtain information as per ICAI implementation guide
- Obtain due MR
- Issue report accordingly
<table>
<thead>
<tr>
<th></th>
<th>SBNs</th>
<th>Other Denomination Notes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Denomination</td>
<td>Amount</td>
<td>Denomination</td>
</tr>
<tr>
<td>Closing Balance as on 8.11.2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Withdrawal from bank</td>
<td>NA</td>
<td>NII</td>
<td></td>
</tr>
<tr>
<td>Add: Receipts for permitted transactions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Receipts for non-permitted transactions</td>
<td></td>
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<tr>
<td>Less: Paid for permitted transactions</td>
<td></td>
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</tr>
<tr>
<td>Less: Paid for non-permitted transactions</td>
<td></td>
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<tr>
<td>Less: Deposited in Bank</td>
<td></td>
<td></td>
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<tr>
<td>Closing Balance as on 30.12.2016</td>
<td></td>
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</tbody>
</table>
We have appropriately disclosed {Refer Note [ ]}, the details of Specified Bank Notes (SBN) held and transacted during the period from 8.11.2016 to 30.12.2016 pursuant to the requirement of Notification G.S.R 308(E) dated 30th March 2017.

Further we confirm that we have complied with all relevant guidelines / notifications issued by RBI from time to time in respect of holding and dealing with SBN, and that the company had proper controls, system and procedures in place for such compliances.

CA. Pramod Jain
Clean Report:

Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note [*]

Where clause not applicable:

The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 – Refer Note [*]

The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Company - Refer Note [*]
Company provided details, but auditor could not verify due to non-availability of sufficient and appropriate audit evidence resulting into scope limitation

The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note [*];

Also comment in report – not received information
Company did not give disclosures:

The Company has not provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016.

Company did not give certain requisite disclosures:

The Company has not provided certain requisite disclosures in the FS as to holdings as well as dealings in Specified Bank Notes during period from 8.11.2016 to 30.12.2016. Consequently we are unable to obtain sufficient and appropriate audit evidence to report whether the disclosures to the extent stated in the notes are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note [*]

Also comment in both cases – not received information
Company has disclosed, but have transacted in non-permitted receipt/payments

The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, as stated in notes [*] to the financial statements amounts aggregating to Rs. [ ] as represented to us by the Management have been utilized for other than permitted transactions/received amount aggregating Rs. [ ] from transactions which are not permitted;
**DOCUMENTATION**

- Have checklists, tell articles to cross verify
- Seniors to cross verify
- Take necessary certificates / representation from management
- External Confirmations
- Ensure Compliance of ASs
- Ensure all applicable regulatory compliances including Companies Act, 2013
- Comply with SAs
- Work not documented is work not done.
THE ONLY WAY

Don't Forget To Document
INCREASE YOUR VALUE