

# Financial Statements for Non-Corporates Enhancing Audit Quality

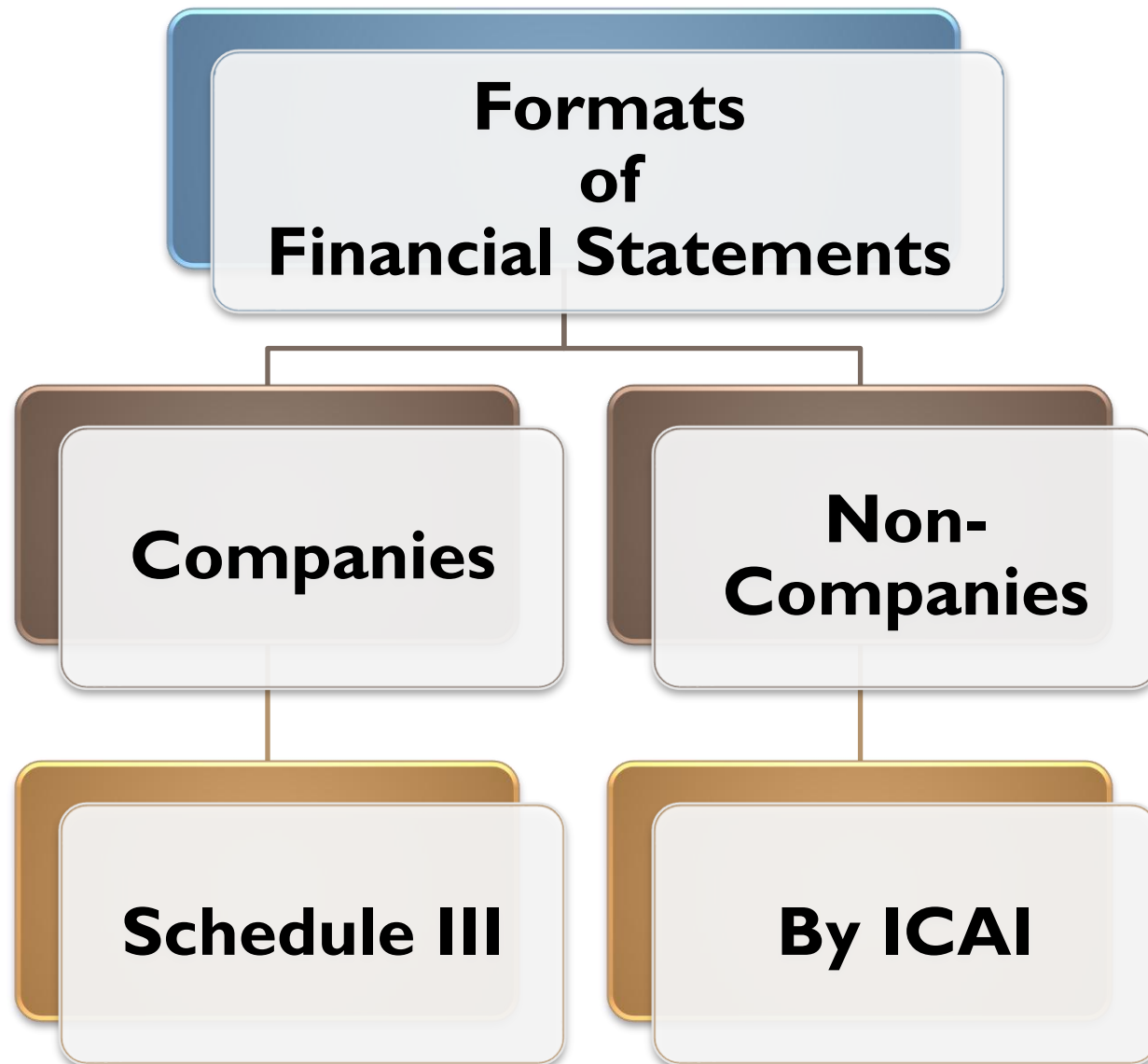


**ICAI – Dule Branch (WIRC)**

**28<sup>th</sup> May 2025**

**CA. PRAMOD JAIN**

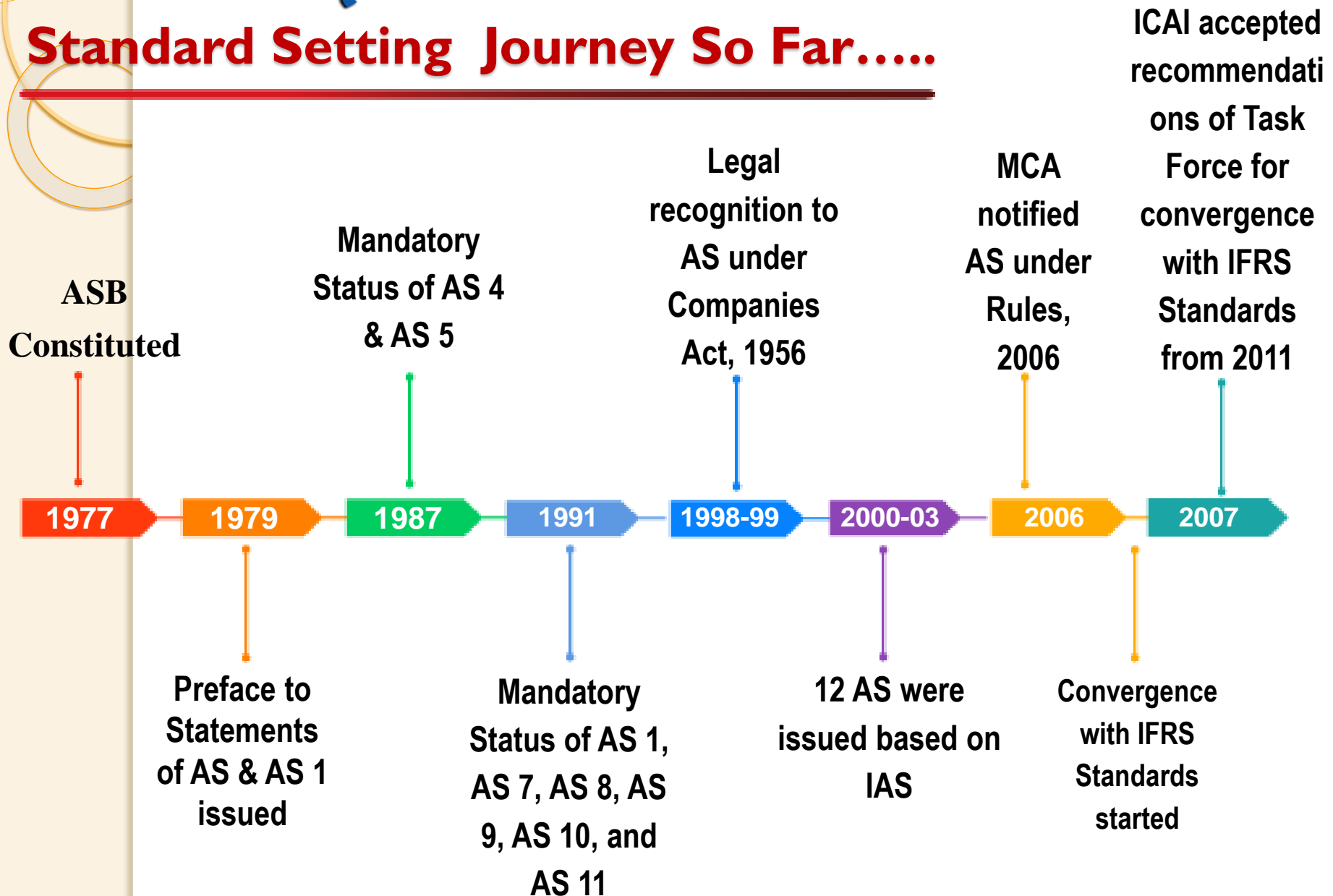
**FCA, FCS, FCMA, LL.B, MIMA, DISA, IP**



# SCHEDULE III

- ❖ **Division I**
- ❖ **Companies (Accounting Standard) Rule 2021**
- ❖ **Division II**
  - ❖ **Ind AS**
- ❖ **Division III**
  - ❖ **NBFC – Ind AS**

## Standard Setting Journey So Far.....



**Contd...**

IFRS converged Ind AS hosted on MCA website

MCA notified revision in AS 2, AS 4, AS 10, AS 13, AS 14, AS 21, AS 29

MCA notified Ind AS 115 and Amendments to various Ind AS

- ICAI Issued Conceptual Framework for Financial Reporting under Ind AS
- MCA notified amendments to Ind AS

- Formats for FS for Non-Corporates, LLP & NPO
- 21st April – AS Day



MCA notified 39 Ind AS & issued roadmap for convergence with IFRS Standards

MCA notified Amendments to Ind AS 102 and Ind AS 7

MCA notified Ind AS 116 and Amendments to various Ind AS

- MCA notified AS Rules, 2021
- ICAI issued Announcement for revision in Criteria for classification of non-company entities.

# Recognition of Accounting Standards by Regulators

1999

Legal recognition to Accounting Standards issued by the ICAI under Companies Act

2001

SEBI mandated all listed companies to mandatorily comply with AS

2002

IRDAI required insurance companies to comply with AS

2003

Reserve Bank of India issued guidelines for Bank for strict compliance of AS



ASB also engages with the Regulators on various accounting issues and support their capacity building initiatives.

# AS

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

# AS APPLICABILITY FOR COMPANIES

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



# SMC Disclosure

- **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.”
- Two year wait period if change from Non-SMC to SMC

???

- **Are Financial Statements Audited during Tax audit of Prop. Partnership?**
- **Are Notes to accounts prepared for Non-Corporates?**
- **Are Accounting Standards applicable to Non-corporates?**
- **What if there is non-compliance?**
- **Where to Report such non-compliance?**

# Accounting Standards



**Entities that  
are to follow  
AS**

**Companies**

**Other than  
Companies**

**Companies  
(Accounting  
Standards)  
Rules, 2021  
(27 Standards)**

**Ind AS  
(40 Standards)**

**AS issued by  
ICAI  
(27 Standards)**

# AS Applicability for Non-Companies

- Effective for Accounting Periods **from 1.4.2024**
- Instead of 4 levels.. Now 2 levels :
  - Large
  - Micro, Small and Medium Sized Entity (MSME)

LEVEL	TURNOVER (in immediately Preceding FY)			BORROWING (in immediately Preceding FY)	
	Existing	Revised		Existing	Revised
<b>I</b> <b>Large</b>	> 250 Cr	> 250 Cr		> 50 Cr	> 50 Cr
<b>II</b> <b>MSME</b>	50-250 Cr	≤ 250 Cr		10-50 Cr	≤ 50 Cr
<b>III</b>	10-50Cr	NA		2-10Cr	NA
<b>IV</b>	< 10 Cr	NA		< 2 Cr	NA

# **MSME Disclosure**

## **Non-Corporate**

- **“The Entity is a Micro Small and Medium Sized Entity (MSME) as per the announcement made by ICAI and has complied with the Accounting Standards insofar as they are applicable to an MSME.”**
- **Two year wait period if change from Large to MSME.**

# AS Applicability

AS No.	Short Title	Companies		Non - Companies	
		Non-SMC	SMC	Large	MSME
1	Disclosure of Accounting Policies	Y	Y	Y	Y
2	Valuation of Inventories	Y	Y	Y	Y
3	Cash Flow Statements	Y	N/Y	Y	N
4	Events after Balance Sheet date	Y	Y	Y	Y
5	Prior Period Items & Changes in Policies	Y	Y	Y	Y
6	Depreciation (Omitted 30.3.16)	NA	NA	NA	NA
7	Construction Contracts	Y	Y	Y	Y
9	Revenue Recognition	Y	Y	Y	Y
10	Property, Plant & Equipment	Y	Y	Y	Partly
11	Changes in Foreign Exchange Rates	Y	Y	Y	Partly
12	Accounting for Government Grants	Y	Y	Y	Y
13	Accounting for Investments	Y	Y	Y	Y
14	Accounting for Amalgamations	Y	Y	Y	N
15	Employee Benefits	Y	Partly	Y	Partly

# AS Applicability

AS No.	Short Title	Companies		Non - Companies	
		Non-SMC	SMC	Large	MSME
16	Borrowing Cost	Y	Y	Y	Y
17	Segment Reporting	Y	N	Y	N
18	Related Party Disclosures*	Y	Y	Y	N*
19	Leases	Y	Partly	Y	Partly
20	Earning Per Share	Y	Partly	N	N
21	Consolidated Financial Statemen	N/Y	N/Y	(listed)	N
22	Accounting for Taxes on Income	Y	Y	Y	Partly
23	Accounting for Associates in CFS	N/Y	N/Y	(listed)	N
24	Discontinuing Operations	Y	Y	Y	N
25	Interim Financial Reporting	Y (listed)	N**	N**	N
26	Intangible Assets	Y	Y	Y	Partly
27	Interest in Joint Ventures	N/Y	N/Y	(listed)	N
28	Impairment of Assets*	Y	Partly	Y	N*
29	Provisions, Contingent L & Assets	Y	Partly	Y	Partly

# AS Relaxations for MSME

<b>AS 10, <i>Property, Plant and Equipment</i></b>	May not comply with paragraph 87 relating to encouraged disclosures.
<b>AS 11, <i>The Effects of Changes in Foreign Exchange Rates</i></b>	May not comply with paragraph 44 relating to encouraged disclosures.
<b>AS 15, <i>Employee Benefits</i></b>	Paragraph 11 to 16, paragraphs 46 and 139, paragraphs 50 to 116, paragraphs 117 to 123, paragraphs 129 to 131. Discounting not required. Actuarial valuation not mandatory. Instead of following PUCM these entities can follow any other rational method to calculate and account for accrued liability - on assumption that such benefits are payable to all employees at the end of accounting year
<b>AS 19, <i>Leases</i></b>	May not comply with paragraph 22 (c), (e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e).



# AS Relaxations for MSME

## **AS 22, Accounting for Taxes on Income**

To comply with current tax related provisions only.  
Transitional - the accumulated deferred tax asset/liability appearing in FS of immediate previous accounting period, shall be adjusted against the opening revenue reserves / owner's funds

## **AS 26, Intangible Assets**

May not comply with paragraphs 90(d)(iii), 90(d)(iv) and 98

## **AS 28, Impairment of Assets**

Allowed to measure value in use on basis of reasonable estimate instead of PV technique and hence, may not comply with paragraph 121 (g).  
May not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123.

## **AS 29, Provisions, Contingent Liabilities and Contingent Assets**

May not comply with paragraphs 66 and 67

# AS 18 & AS 28

- **AS 18 (Related Party)**
- **AS 28 ( Impairment)**
- **Applicable if :**
  - **Turnover (excluding other income) exceeds Rs. 50 crore in the immediately preceding accounting year; or**
  - **Have borrowings in excess of Rs. 10 crore at any time during the immediately preceding accounting year**

# **RELATED PARTY**

**Accounting  
Standards**

**AS 18**

**Companies Act**

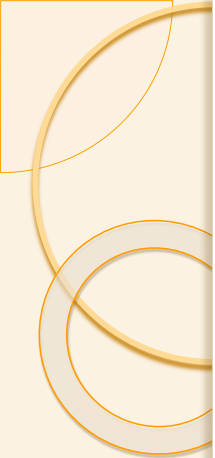
**S. 2(76)**

**S. 184**

**S. 188**

**Income Tax**

**40A(2)(b)**



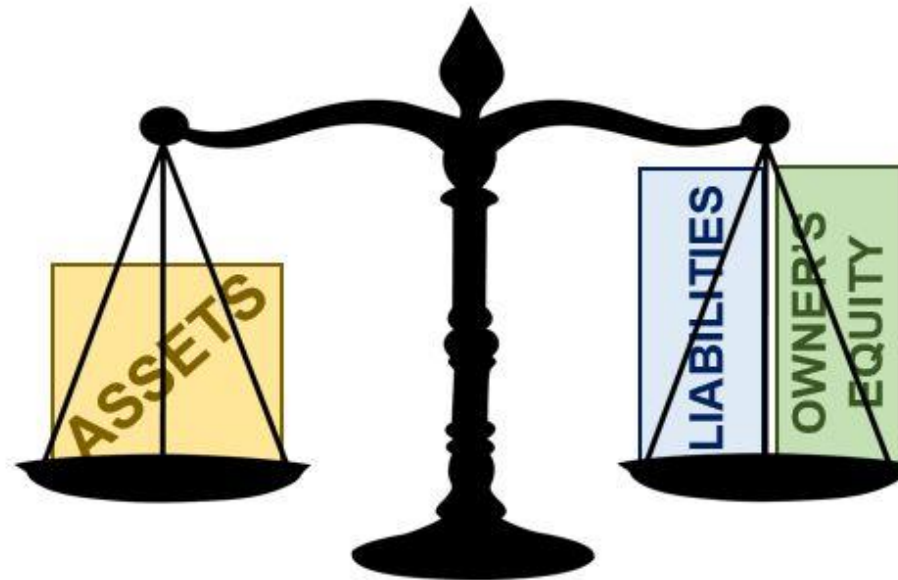
# **Formats of Financial Statements for Non-corporate Entities**

**Proprietorship**

**Partnership**

**LLP**

# Balance Sheet



***It has to balance***

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.	<b>OWNERS' FUND AND LIABILITIES</b>			
	(1) Owners' Fund			
	(a) Owners Capital Account			
	(b) Reserves and surplus			
(2)	<b>Non-current liabilities</b>			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			

# Balance Sheet Items

## Owner's Fund

(Amount in Rs. XX)				
	Particulars	Note No	31 March 20XX	31 March 20XX
<b>I</b>	<b>OWNERS' FUNDS AND LIABILITIES</b>			
<b>1.</b>	<b>Owners' Funds</b>			
(a)	Owners' Capital Account		-	-
	(i) Owners'/Partners' Capital Account <sup>4</sup>	3a		
	(ii) Owners'/Partners' Current Account <sup>4</sup>	3b		

## Owner's Capital Account A/c

Note - 3 Owners' Capital Account

(Amount in Rs.)									
Sr. No.	Name of Partner/ Proprietor/ Owner	Share of profit/ (loss) (%)	As at 1st April 20XX (Opening Balance)	Capital Introduced/cont ributed during the year	Remuneration for the year	Interest for the year	Withdrawals during the year	Share of Profit / Loss for the year	As at 31st March 20XX (Closing Balance)
1									-
			-	-	-	-	-	-	-
Previous Year (PY)			-	-	-	-	-	-	-

- In case of a prop, it should be sufficient to give the movement as
  - Opening balance
  - Add: Contribution
  - Add/ less : Profit / toss
  - less Withdrawals ( No harm if you need to segregate withdrawals tike for tax/ insurances etc)

	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)	<b>Current liabilities</b>			
	(a) Short-term borrowings			
	(b) Trade payables			
	(c)Other current liabilities			
	(d)Short-term provisions			
	<b>TOTAL</b>			
II.	<b>ASSETS</b>			
(1)	<b>Non-Current Assets</b>			
	(a) Property, Plant and Equipment & Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			



# Current Liabilities

			(Amount in Rs.)	
			31 March 20XX	31 March 20XX
<b>3</b>	<b>Current liabilities</b>			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables			
(i)	Total outstanding dues of micro, small and medium enterprises	9	-	-
(ii)	Total outstanding dues of creditors other than micro, small and medium enterprises	9	-	-
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
			-	-
	<b>Total</b>		-	-

## Other Current Liabilities

		(Amount in Rs.)	
		31 March 20XX	31 March 20XX
<b>10</b>	<b>Other current liabilities</b>		
(a)	Current maturities of finance lease obligations (Refer note XX)	-	-
(b)	Interest accrued but not due on borrowings	-	-
(c)	Interest accrued and due on borrowings	-	-
(d)	Income received in advance	-	-
(e)	Unearned revenue	-	-
(f)	Goods and Service tax payable	-	-
(g)	TDS payable	-	-
(h)	Other payables (specify nature)	-	-
	<b>Total Other current liabilities</b>	-	-

	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)	<b>Current assets</b>			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and bank balances			
	(e) Short-term loans and advances			
	(f) Other current assets			
	<b>TOTAL</b>			

# Current Assets

			(Amount in Rs.)	
			31 March 20XX	31 March 20XX
<b>2</b>	<b>Current assets</b>			
(a)	Current investments	12	-	-
(b)	Inventories	15	-	-
(c)	Trade receivables	16	-	-
(d)	Cash and bank balances	17	-	-
(e)	Short Term Loans and Advances	13	-	-
(f)	Other current assets	18	-	-
			-	-
	<b>Total</b>		-	-

## Inventories

15	Inventories	31-March-20XX	31-March-20XX
(a)	Raw materials	-	-
(b)	Work-in-progress	-	-
(c)	Finished goods	-	-
(d)	Stock-in-trade	-	-
(e)	Stores and spares	-	-
(f)	Loose Tools	-	-
(g)	Others (Specify nature)	-	-
	<b>Total</b>	-	-

# STATEMENT OF PROFIT AND LOSS



**CA. Pramod Jain**

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

**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.	<b>Total Income (I + II)</b>		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

# Revenue from Operations

		(Amount in Rs.)	
19	Revenue from operations	31 March 20XX	31 March 20XX
(a)	Sale of products	-	-
(b)	Sale of services	-	-
(c)	Grants or donations received	-	-
(d)	Other operating revenue	-	-
	Revenue from operations (Gross)	-	-
	Less: Excise duty	-	-
	Revenue from operations (Net)	-	-

## Other Income

		(Amount in Rs.)	
20	Other income	31 March 20XX	31 March 20XX
(a)	Interest income	-	-
(b)	Dividend income	-	-
(c)	Net gain on sale of investments	-	-
(d)	Other non-operating income (Please specify)	-	-
	Total other income	-	-

	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

# Previous Year Figures

- **Framework for preparation and presentation of financial statements**
- **SA 710 – Comparative Information – Corresponding Figures and Comparative Financial Statements**
- **To state in Other matter:**
  - **Para 17** - If the financial statements of the prior period were audited by a predecessor auditor.
  - **Para 19** - If the prior period financial statements were not audited.



## **Matters for FS of non-corporates**

- **Rounding off not mandatory**
- **Offset of income / Expenses or Assets / liability **NOT** allowed**
- **Disclose Contingent liabilities**
- **Disclose PPE instead of Fixed assets or Tangible assets**

# Unlearn - Learn

Unlearn	Learn
Horizontal Form	Vertical Form
FA - Fixed Assets	PPE – Property Plant & Equipment
Debtors	Trade Receivables
Creditors	Trade Payables
Capital	Owners Fund
Accounting policies	Significant Accounting Policies
Sales	Revenue / Revenue from operations
Income Tax	Tax Expenses
P/L Account	Statement of P/L
Rent	Lease

# **Matters for FS of non-corporates**

- **Can Penalties / other than business Incomes be credited to capital A/c?**
- **Are list of Trade Receivables / Payables / Unsecured Loans mandatory?**
- **Notes to the Accounts**
- **Significant Accounting Policies**
- **MSMED Act 2006**

# **Derecognition / Cessation of Liability**

- **Settlement of a present obligation may occur by:**
  - **payment of cash;**
  - **transfer of other assets;**
  - **provision of services;**
  - **replacement of that obligation with another obligation; or**
  - **conversion of the obligation to equity.**
- **Creditor waiving or forfeiting its rights.**

# **Formats of Financial Statements for NPOs**

**Trusts**

**Societies**



**Name of the NPO.....**

**Balance Sheet as at .....**

**CA. Pramod Jain**

**(Rs. in.....)**

	Particulars	Note	31 March 20XX	31 March 20XX
<b>I</b>	<b>Sources of Funds</b>			
<b>I</b>	<b>NPO Funds</b>	<b>3</b>	<b>0</b>	<b>0</b>
<b>(a)</b>	<b>Unrestricted Funds</b>			
<b>(b)</b>	<b>Restricted Funds</b>			
<b>2</b>	<b>Non-current liabilities</b>			
<b>(a)</b>	<b>Long-term borrowings</b>	<b>4</b>	<b>-</b>	
<b>(b)</b>	<b>Other long-term liabilities</b>	<b>5</b>	<b>-</b>	<b>-</b>
<b>(c)</b>	<b>Long-term provisions</b>	<b>6</b>	<b>-</b>	<b>-</b>
<b>3</b>	<b>Current liabilities</b>			
<b>(a)</b>	<b>Short-term borrowings</b>	<b>4</b>	<b>-</b>	<b>-</b>
<b>(b)</b>	<b>Payables</b>	<b>7</b>		
<b>(c)</b>	<b>Other current liabilities</b>	<b>8</b>	<b>-</b>	<b>-</b>
<b>(d)</b>	<b>Short-term provisions</b>	<b>6</b>	<b>-</b>	<b>-</b>
	<b>Total</b>		<b>-</b>	<b>-</b>

Name of the NPO.....

Balance Sheet as at .....

	Particulars	Note	31 March 20XX	31 March 20XX
II	Application of Funds			
1	Non-current assets			
(a)	Property, Plant and Equipment and Intangible assets	9		
(i)	Property, Plant and Equipment			
(ii)	Intangible assets			
(iii)	Capital work in progress			
(iv)	Intangible asset under development			
(b)	Non-current investments	10	-	-
(c)	Long Term Loans and Advances	11	-	-
(d)	Other non-current assets (specify nature)	12	-	-
2	Current assets			
(a)	Current investments	10	-	-
(b)	Inventories			
(c)	Receivables	13	-	-
(d)	Cash and bank balances	14	-	-
(e)	Short Term Loans and Advances	11	-	-
(f)	Other current assets	15	-	-
	Total			



# Income & Expenditure A/c



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

Statement of Profit and loss for the year ended .....

(Rupees in.....)

	Particulars	Note	31 March 20XX			31 March 20XX		
			Unrestr icted funds	Restri cted funds	Total	Unres tricted funds	Restri cted funds	Total
<b>I</b>	<b>Income</b>							
<b>(a)</b>	<b>Donations and Grants</b>							
<b>(b)</b>	<b>Fees from Rendering of Services</b>							
<b>(c)</b>	<b>Sale of Goods</b>							
<b>II</b>	<b>Other Income</b>	<b>16</b>					-	-
<b>III</b>	<b>Total Income (I+II)</b>						-	-

	Particulars	Note	31 March 20XX			31 March 20XX		
			Unrestr icted funds	Restri cted funds	Total	Unres tricted funds	Restri cted funds	Total
IV	Expenses:							
(a)	Material consumed/distributed	17					-	-
(b)	Donations/contributions paid							
(c)	Employee benefits expense	18					-	-
(d)	Depreciation and amortization expense	19					-	-
(e)	Finance costs	20					-	-
(f)	Other expenses	21					-	-
(g)	Religion/charitable expenses							
(h)	Other Expenses (specify nature)							
	Total expenses						-	-
V	Excess of Income over Expenditure for the year before exceptional and extraordinary items (III- IV)						-	-

	Particulars	Note	31 March 20XX			31 March 20XX		
			Unrestr icted funds	Restri cted funds	Total	Unres tricted funds	Restri cted funds	Total
VI	Exceptional items (specify nature & provide note/delete if none)						-	-
VII	Excess of Income over Expenditure for the year before extraordinary items (V-VI)						-	-
VIII	Extraordinary Items (specify nature & provide note/delete if none)						-	-
IX	Excess of Income over Expenditure for the year (VII-VIII)						-	-
	Appropriations Transfer to funds, e.g., Building fund							
	Transfer from funds							
	Balance transferred to General Fund							

# Cash System of Accounting



# Cash System

- **AS 1 – Accrual system**
- **ICAI – 1991 announcement**
  - In cases where the statute governing the enterprise requires the preparation and presentation of financial statements on accrual basis but the financial statements have not been so prepared, the auditor should qualify his report.
  - On the other hand, where there is no statutory requirement for preparation and presentation of financial statements on accrual basis, and the financial statements have been prepared on a basis other than ‘accrual’ the auditor should describe in his audit report, the basis of accounting followed, without necessarily making it a subject matter of a qualification.

# Cash System

- **Disclosure in the audit report:**
- **“It is the policy of the enterprise to prepare its financial statements on the cash receipts and disbursements basis. On this basis revenue and the related assets are recognised when received rather than when earned, and expenses are recognised when paid rather than when the obligation is incurred.**
- **In our opinion, the financial statements give a true and fair view of the assets and liabilities arising from cash transactions of ..... at ..... and of the revenue collected and expenses paid during the year then ended on the cash receipts and disbursements basis as described in Note X.”**

# Cash System

- **Revenue** - In case, revenue has not been received in cash, however, TDS made and deposited by the payer, in that case, revenue shall be recognised equivalent to the amount of TDS.
- **Borrowing:**
  - Interest on Loans - to be paid
  - Capitalisation of borrowing costs shall commence when expenditure for acquisition, construction or production of a qualifying asset is paid & all activities necessary to prepare qualifying asset for its intended use or sale are in progress.
  - Borrowing costs paid after substantial completion of all activities necessary to prepare qualifying asset for its intended use or sale shall be expensed off.



# Cash System

- **Depreciation** - Recognise depreciation and impairment of assets as expense in PL so that the periodic net result of operations of the entity reflects the use of the asset.
- **Inventories** - Difference arising on valuation of inventories at lower of cost and net realisable value, shall also be recognised in the PL.
- **Taxes** - Tax paid for FY shall be recognised as expense in PL. In case, entity has paid tax more than current tax for FY, and it is reasonably certain that additional tax paid will be received as refund, then it shall expense off amount in PL to the extent of actual current tax and recognise the balance amount as 'tax refund receivable' in the B/s

# AUDIT



# **Types of Audit Reports**

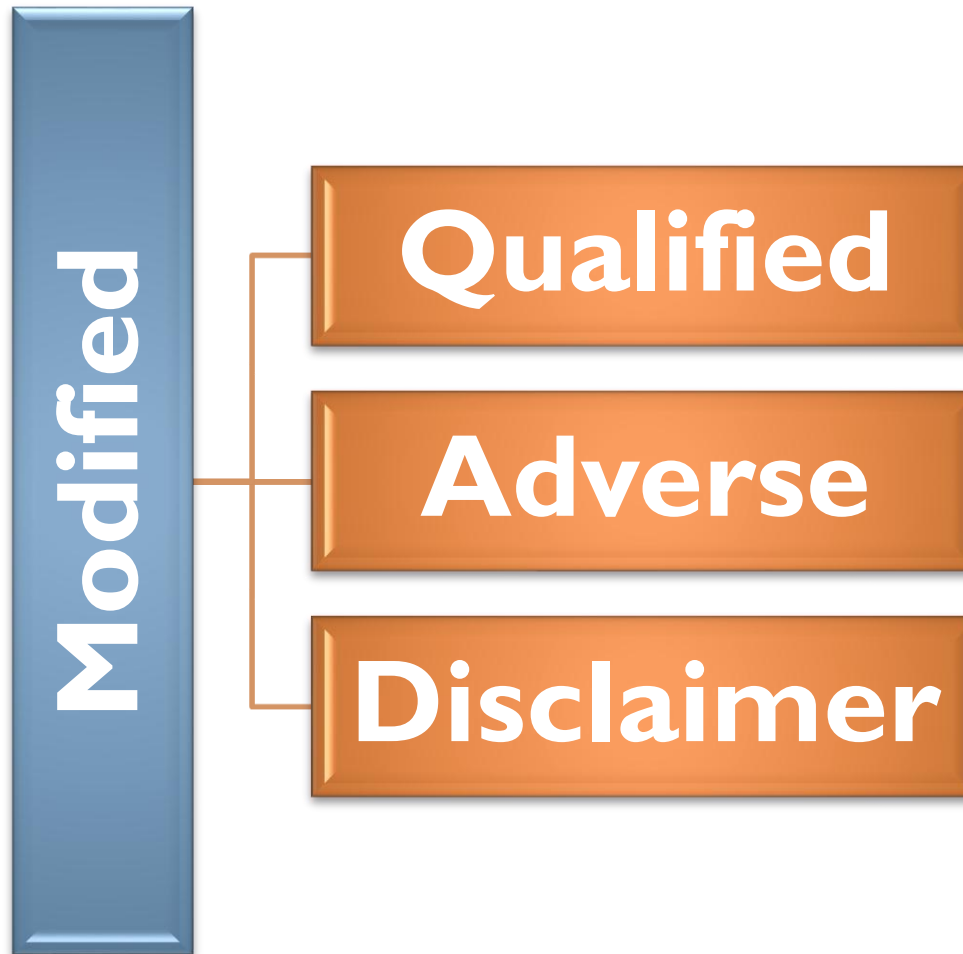


**Unmodified**



**Modified**

# Modified Audit Reports



# Modified Audit Reports

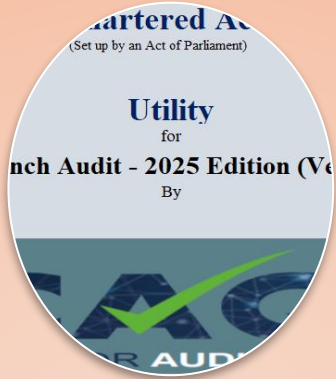
	Auditor's judgment about Pervasiveness of the matter	
Nature of Matter	Material but <b>NOT</b> Pervasive	Material <b>AND</b> Pervasive
Financial statements are Materially misstated	<b>Qualified</b> Opinion (...except for...)	<b>Adverse</b> Opinion (...do not present true & fair...)
Unable to obtain Sufficient Appropriate Audit Evidence	<b>Qualified</b> Opinion (...except for...)	<b>Disclaimer</b> of Opinion (...we do not express an opinion...)

# About CAQD and AQMM



# **CENTRE FOR AUDIT QUALITY DIRECTORATE**

**TOOLS AND UTILITIES  
DEVELOPED BY  
CAQD**



**Utility for  
self-  
evaluation  
under  
AQMM v  
2.0**



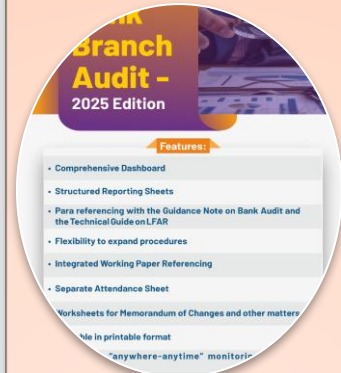
**Utility on  
Engagemen  
t Letters**



**Utility for  
Determinin  
g  
Materiality**



**Review &  
Monitoring  
Tool for  
Standards  
on  
Auditing  
Complianc**



**Utility for  
Bank  
Branch  
Audit- 2025  
Edition**

**TOOLS AND UTILITIES DEVELOPED BY CAQD**



# Utility on Engagement Letters

- Generates multiple Engagement Letters (ELs) on single click
- Facilitates standardised EL preparation
- Covers all aspects in a comprehensive format
- Easy to customise EL Templates (Word file)
- Maintains a centralised list of assurance clients
- Beneficial for Peer Review Process

**ELs can be generated for Audit related to:**

Form No. 3CA

Form No. 3CB

Listed Entities

Unlisted  
Entities with IFC

Unlisted Entities  
without IFC

**Users  
of Utility  
as an Auditor**

Individuals

Proprietorship Firms

Partnership Firms/LLPs



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Google form link to download  
<https://forms.gle/zB5Qzo5T5GnCZp2q8>

# Utility on Determining Materiality

## DETERMINING MATERIALITY

### *Features:*

- Calculates the Overall Materiality for assurance engagements based on the level of risk assessed.
- Categorization of the Risk Assessment Parameters as Low, Medium or High Risk.
- Different benchmarks for different types of entities given as per the guidance under SA 320.
- Flexibility for choosing the percentage to be applied to the benchmark.
- Revised Materiality level can be calculated as the audit progresses.
- Mapping the impact of the material misstatements on the opinion.
- Documenting the materiality as the utility is in printable version.

# Review & Monitoring Tools for SA Compliance

## Salient Features



**'Dashboard' for review and monitoring the status of compliance of each SA.**



**Convenient link of SAs and its Implementation Guide on single click.**



**Broad and illustrative indicative goals to be accomplished.**



**Detailed checklist for each SA separately.**



**Reference of working papers for effective audit documentation.**

**Google form link to download**

**<https://forms.gle/mcXJdMRv4NfZQBKi8>**

**Website - [www.icaai.org](http://www.icaai.org)**





# Audit Quality Maturity Model v 2.0

**Centre for Audit Quality**

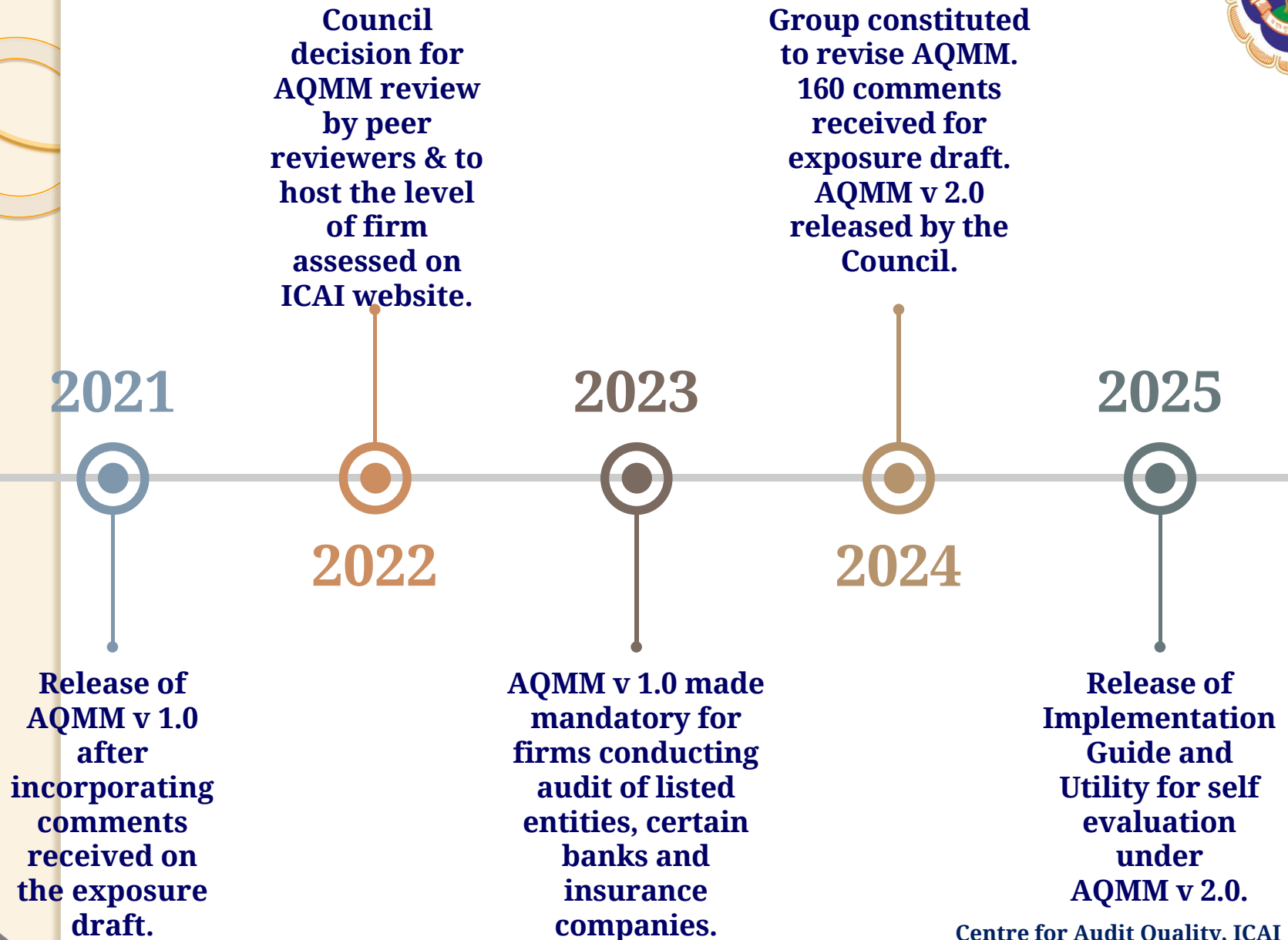
भारतीय सनदी लेखाकार संस्थान  
(संसद के अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
(Set up by an Act of Parliament)



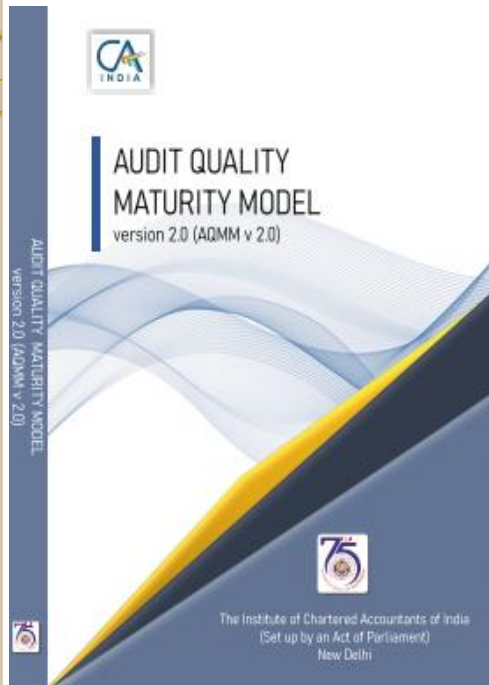


# Journey of Audit Quality Maturity Model (AQMM)

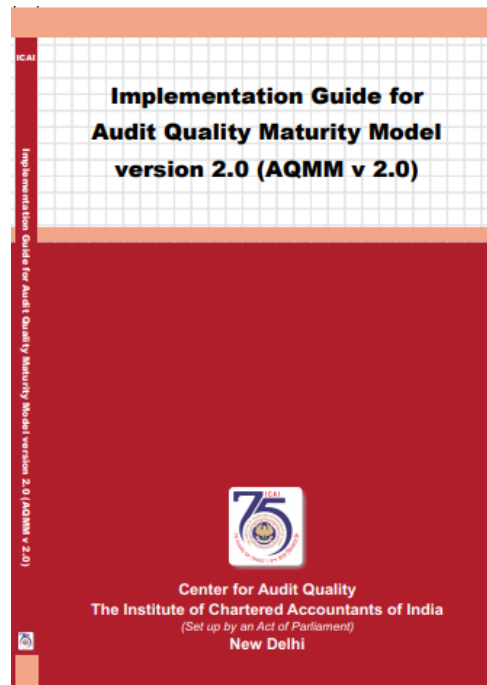




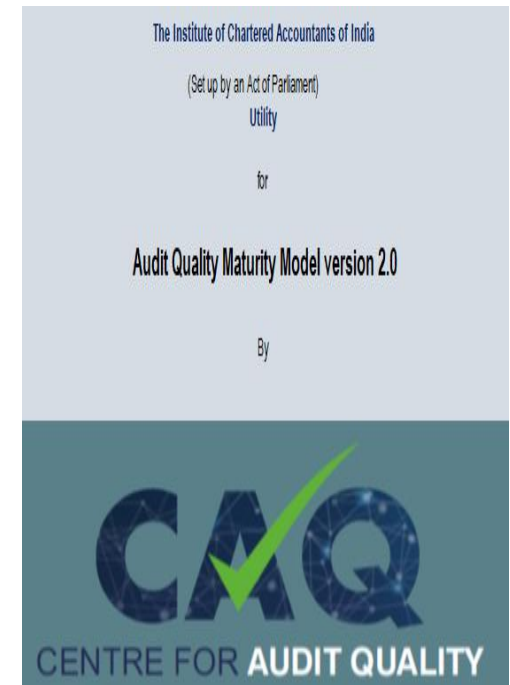
# Audit Quality Maturity Model v 2.0 tool kit



AQMM v 2.0



IG for AQMM

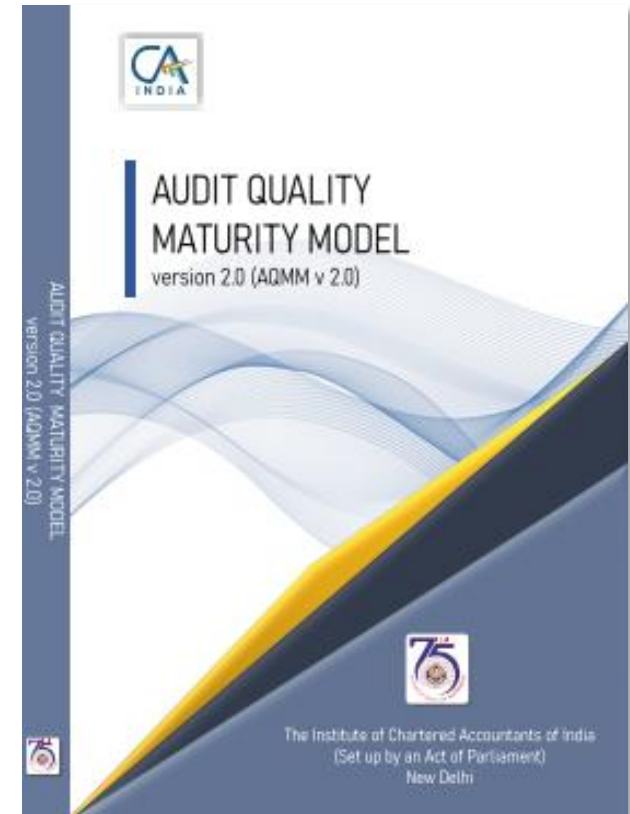


Utility for AQMM



## **Audit Quality Maturity Model v 2.0**

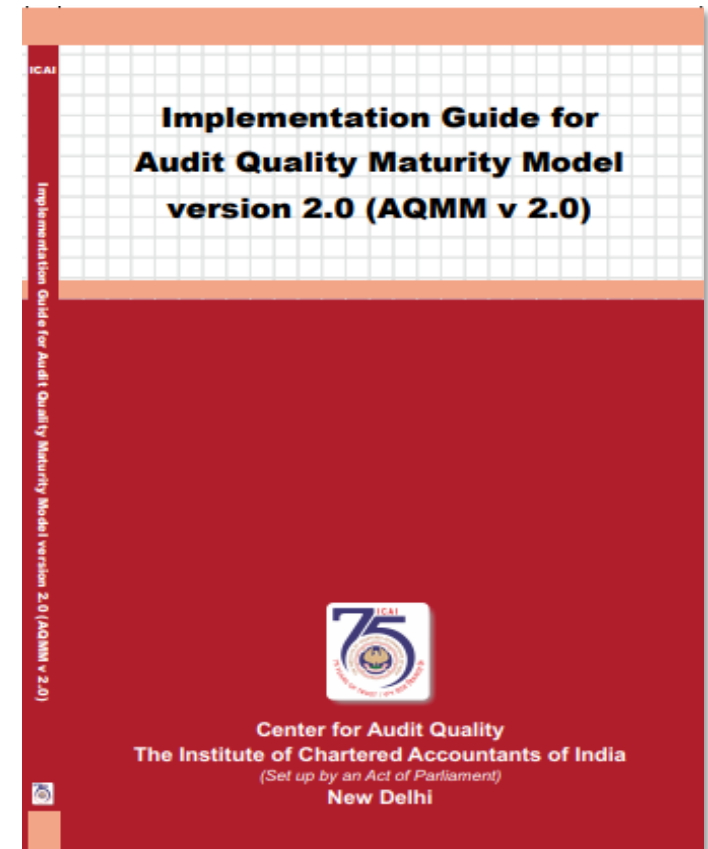
- ▶ **AQMM v. 2.0 is a significant step forward in ICAI's ongoing efforts to elevate the standards of audit practice.**
- ▶ **The focus is on enhancing audit quality, ensuring adherence to Standards on Auditing, and supporting small and medium firms in achieving greater compliance.**
- ▶ **It serves as a comprehensive framework designed to guide audit firms in assessing and enhancing their audit processes, capabilities, and outcomes.**
- ▶ **The firms can assess their level of audit quality maturity using AQMM.**
- ▶ **AQMM v 2.0 is hosted at <https://resource.cdn.icai.org/81585caq65805.pdf>**





# Implementation Guide for AQMM v 2.0

- ▶ The purpose of the Implementation Guide is to assist members and firms in interpreting the Audit Quality Indicators outlined in version 2.0 of the Audit Quality Maturity Model.
- ▶ Each section has been elaborated in detail, accompanied by illustrative examples where necessary
- ▶ The Implementation Guide for AQMM v 2.0 is hosted at <https://resource.cdn.icai.org/84392caq68003.pdf>





# Utility for self evaluation under AQMM v 2.0



- ▶ A Utility to assist the firms to self-evaluate their firm's maturity level on the basis of audit quality indicators defined under AQMM v 2.0.
- ▶ This will enable them to identify areas where competencies are strong or lacking and then develop a road map for achieving a higher level of audit maturity.
- ▶ The same can be accessed at <https://rb.gy/urco9m>

Basic Instructions
<b>How to determine the Firm's Maturity Level</b>
Step 1: Enter the score in Column G of the "Self Evaluation" tab.
Step 2: A grey cell in column G indicates that the user has inadvertently not assigned any score for that particular sub-section and therefore a score has to be filled by him/her.
Step 3: Column "B" of the tab "Summary" indicates the count of zeroes under each section. Users are therefore advised to re-check whether a score other than zero needs to be assigned.
Step 4: After completion of steps 1, 2 & 3 above, the "Summary" tab indicates whether the firm is eligible for AQMM review or not. In case it is eligible, the level of firm is ascertained under this tab.

Disclaimer
This AQMM utility is an endeavour of the Centre for Audit Quality to enable members to self-evaluate the current level of audit maturity of their firms as per the scoring criteria prescribed in the AQMM v 2.0. This utility has been prepared on the basis of Audit Quality indicators as described under AQMM v 2.0 and user discretion is advised in providing scores to their firms. The ICAI is not in any way responsible for the result of any action taken on the basis of usage of this utility.
For feedback & query reach us at: <a href="mailto:caq@icai.in">caq@icai.in</a>

Objective							
This tab is designed to provide final maturity level to the firm after assessing a firm's eligibility for level assignment based on the AQMM v 2.0 Framework.							
⚠ Note: This sheet is auto-populated and formula-driven. No manual input is required.							
Particulars	Check the score of Zeros	Negative score of sub section 1.4	Scores before considering score under sub-section 1.4	Negative scoring to be considered under sub-section 1.4 (25% of Grand Total or Actual negative score).	Final score	Minimum score for eligibility	Whether eligible or not.
Section A-Practice Management - Assurance	68	-	-	-	112	111	YES
Section B-Human Resource Management	24	-	-	-	51	45	YES
Section C-Digital Competency	68	-	-	-	25	24	YES
Grand Total	159	-	-	-	188.00	N/A	

Range defining firm's maturity level as per AQMM v 2.0			Interpretation of levels
Greater than or equal to	Less than	Level of Firm	
30%	50%	Level 1 Firm	
50%	70%	Level 2 Firm	
70%	85%	Level 3 Firm	
85%	100%	Level 4 Firm	
			Indicates that the firm is very nascent -will have to take immediate steps to upgrade its competency or will be left lagging.
			Indicates firm has made some progress -will have to fine-tune further to reach the highest level of competency.
			Indicates firm has made substantial progress -will have to fine-tune further to reach the highest level of competency.
			Indicates firms that have made significant adoption of standards and procedures - Should focus on optimizing further.

Firm's Maturity level			
Firm's Total Score	Maximum Score	Percentage Scored	Eligibility Check
158	600.00	31.33%	YES
Level		Level 1 Firm	

AQMM v 2.0						
Section	Sub Section	Competency Basis	Score Criteria	Score Basis	Maximum Score	Self evaluation score
1.1	(i)	Revenue from audit and assurance services	Score based on percentage of revenue from audit and assurance services such as: statutory audit, tax audit, internal audit, Sustainability audit, social audit, Certification etc. of total revenue. The average revenue of the firm for the period under review is to be considered.	If the % of revenue from audit and assurance services to total revenue is: 0 to No Point More than 0 % but less than or equal to 20%-1 Point More than 20% but less than or equal to 40%-2 Points More than 40% but less than or equal to 60%-3 Points More than 60% but less than or equal to 80%-4 Points More than 80% but less than or equal to 100%-5 Points	5	0
1.1	(i)	Does the Firm have a forward looking Vision and Mission Statement?	Scoring basis on presence or not of the Vision & Mission Statement	For Yes- 2 Points For No- 0 Point	2	0
Total					7	0
1.2	(i)	Presence of SQC 1 Manual with well-defined policies & procedures in respect of the following areas: - Leadership responsibilities for quality within the firm. - Ethical requirements - Acceptance and continuance of client relationships and specific engagements. - Human resource - Engagement performance. - Monitoring	Score based on presence of SQC 1 Manual	For Yes- 2 points for each 6 areas - i.e. 12 Points For No- 0 Point	12	0



# Score weightage comparison

AQMM v 2.0

Section Reference	Maximum Score	%
Section 1 “Practice Management – Assurance”	370	61.67
Section 2 “Human Resource Management”	150	25.00
Section 3 “Digital Competency”	80	13.33
<b>TOTAL</b>	<b>600</b>	<b>100.00</b>

AQMM v 1.0

Section Reference	Maximum Score	%
Section 1 “Practice Management – Operations”	280	46.67
Section 2 “Human Resource Management”	240	40.00
Section 3 “Practice Management – Strategic / Functional”	80	13.33
<b>TOTAL</b>	<b>600</b>	<b>100.00</b>



## Minimum Eligibility Criteria for each section

Section Reference	Maximum marks	Minimum % required	Minimum Marks required
Section 1 “Practice Management – Assurance”	370	30 %	111
Section 2 “Human Resource Management”	150	30 %	45
Section 3 “Digital Competency”	80	30 %	24

Eligibility  
Criteria-  
Minimum  
marks to be  
scored under  
each Section



# Ascertainment of Level Overall Range of Score

Level	Scores Received		Narrative
	Greater than or equal to	Less than	
Level 1 Firm	30 %	50 %	Indicates that the firm is very nascent - will have to take immediate steps to upgrade its competency or will be left lagging behind
Level 2 Firm	50 %	70 %	Indicates firm has made some progress - will have to fine-tune further to reach the next level of competency
Level 3 Firm	70 %	85 %	Indicates firm has made substantial progress - will have to fine-tune further to reach the highest level of competency
Level 4 Firm	85 %	100 %	Indicates firms that have made significant adoption of standards and procedures - Should focus on optimising further

The overall ranking of the firm will be determined by computing the percentage of score achieved based on the ratio of the total Actual Score to the Maximum Score.



# **Applicability of AQMM v 2.0**

**The Audit Quality Maturity Model version 1.0 has been made mandatory w. e. f. April 1, 2023, to the firms auditing the following entities:**

- a) a Listed Entity**
- b) Banks other than Co-Operative banks (Except multi-state Co-operative banks)**
- c) Insurance Companies**

**However, the firms conducting only branch audits are not covered.**

- ▶ The level of the firm obtained using AQMM v 1.0 is being reviewed by a Peer Reviewer and recorded on the website of ICAI against the validity of the firms' peer review certificate.**
- ▶ There is no change regarding the applicability of AQMM v 2.0. Therefore, AQMM v 2.0 is also mandatory for firms auditing the aforesaid entities.**

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