



My Dear Friend

I am presenting ***Thursday Publication for 25 FAQs on Checking's + Reporting's by Auditors for Companies in India***

1. This publication released under ***our awareness mission to help public*** under transparency of laws mechanism in India already inspired from thought process of Honorable Prime Minister
2. Any kind of offences attracting ***Penalty + imprisonment (both)***.
3. It's humbly suggested to stop committing offence.
4. I trust that you will be enriched by reading this article

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● ***With best wishes from CA. Satish Agarwal, New Delhi*** ●



25 FAQs on Checking's + Reporting's by Auditors for Companies in India

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25 FAQs on Checking's + Reporting's by Auditors for Companies in India

(A) Checking's + Reporting's for amendments made for financial statements

(Amendments in schedule-III for year ending on March 31, 2022 + also onwards)

1. Checking's + Reporting's by Auditors for amendments in schedule III of CA, 2013

- (i) For disclosure of *promoter's shareholdings* in company
- (ii) For disclosure of *Trade Payables with ageing* like:
 - (a) Trade payables *from 0 to 1 Year*
 - (b) Trade payables *from 1 to 2 Year*
 - (c) Trade payables *from 2 to 3 Year*
 - (d) Trade payables *from 3 to Infinite year*
- (iii) For *reconciliation of gross* + also net Written Down Value (*WDV*) (*both*) for *each class of asset* of company
- (iv) For disclosure of *Trade Receivables with ageing* like:
 - (a) Trade Receivables *from 0 to 1 Year*
 - (b) Trade Receivables *from 1 to 2 Year*
 - (c) Trade Receivables *from 2 to 3 Year*
 - (d) Trade Receivables *from 3 to Infinite year*
- (v) For disclosure of *title deed* of Immovable Properties *not held in company's name*.
- (vi) For disclosure of *fixed asset's revaluation* + also Capital Work In Progress (*CWIP*) (*both*) *with ageing*.
- (vii) For disclosure of *loans* + *advances given to promoters* + directors + KMPs + also related parties (*all*)



- (viii) For disclosure of already *initiated proceedings* + also *pending proceedings* (*both*) under Benami Transactions (*Prohibition*) Act, 1988 for Benami Properties.
- (ix) For *reconciliation between* submitted *quarterly / monthly stock statements* already sent to banks and books of accounts + also to report for material *discrepancy* (*only*)
- (x) For disclosure of already *declared willful defaulter by banks* or financial Institutions (*any*)
- (xi) For disclosure of *relationship with already struck-off company* in MCA's records.
- (xii) For disclosure of *pending registration of charges for fixed assets* + pending satisfactions with office of Registrar of Companies (*ROC*) + also which *exceeding* statutory limit (*all*).
- (xiii) For disclosure of *layer of company's compliances*
- (xiv) For disclosure of *11 Ratios* like:
- (a) For *current ratio* of company's financial statements
 - (b) For *Debt-Equity ratio* of company's financial statements
 - (c) For *Debt Service Coverage ratio* of company's financial statements
 - (d) For *Return on Equity ratio* of company's financial statements
 - (e) For *Inventory turnover ratio* of company's financial statements
 - (f) For *Trade Receivables turnover ratio* of company's financial statements
 - (g) For *Trade payables turnover ratio* of company's financial statements
 - (h) For *Net capital turnover ratio* of company's financial statements
 - (i) For *Net profit ratio* of company's financial statements
 - (j) For *Return on Capital employed* of company's financial statements
 - (k) For *Return on investment* of company's financial statements
- (xv) For disclosure of compliances for *approved Scheme(s) of arrangement* + also *deviations from* Accounting Standards (*ASs*) (*only*).
- (xvi) For disclosure of *borrowed funds* + *share premiums* (*both*) utilizations.



- (xvii) For disclosure of *transactions* which *not recorded in books of accounts beside incomes* already *surrendered* by company in income tax *assessment*.
- (xviii) For disclosure of *amount for* Corporate Social Responsibility (*CSR*)
- (xix) For disclosure of *Crypto Currency (CC)* + also *Virtual Currency (VC)* (*both*) *used by company*.
- (xx) For maintaining *rounding of figures* in financial statements + also *based on total incomes* in place of total turnover (*both*).
- (xxi) For disclosure of *current maturities* like *period not exceeding 12 month* for long term borrowings.
- (xxii) For disclosure of *security deposit (given)* under other *non-current asset* in place of long term loans + also *advances (both)*
- (xxiii) For disclosure of *utilization of borrowed funds other than purpose* for which funds borrowed.
- (xxiv) For disclosure of *revaluation of* Property, Plant and Equipment (*PPE*) by *register valuer (only)*.
- (xxv) For disclosure of *intangible asset under development* with ageing.
- (xxvi) For disclosure of *borrowed funds for further lending's* + *investments* + *guaranties* + also *securities to 3rd party (all)*.

2. *Checking's + Reporting's by Auditors for amendments in CARO from 2016 to 2020*

- (i) *CARO 2020 consisting 21 clause* when *CARO 2016 consisting 16 clause*.
- (ii) (a) *CARO 2020 consisting 7 new clause* beside *1 old clause* of *CARO 2016 deleted* + also *1 old clause* of *CARO 2016 merged (both)*.
+ (plus)
- (b) *Now 16 old clause + 7 new clause - 1 old clause (deleted) - 1 old clause (merged) = 21 new clause*



(iii) (a) CARO 2020 applicable from April 01st, 2021.

+ (plus)

(b) Also CARO 2020 applicable for financial statements ending on March 31st, 22

● View Order dated February 25th 2020

● View 21 FAQ's on Companies Auditor Report Order (CARO) 2020 in India for checking's + reporting's by auditors for CARO, 2020

<http://femainindia.com/Image/21FAQCARO.pdf>

3. Checking's + Reporting's by Auditors for amendments in Auditor's reports

● Report under "other matters" to include in Auditor's Report when old 1 clause (d) to be deleted + also 3 new clause (e) + (f) + (g) to be inserted (all)

● Clause (e)

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

(ii) Whether management has represented, that, to best of its knowledge and belief, other than disclosed in notes to accounts, no funds have been received by company from any person(s) or entity(ies), including foreign entities Funding Parties, with understanding, whether recorded in writing or otherwise, that company shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of Funding Party Ultimate Beneficiaries or provide any guarantee, security or like on behalf of Ultimate Beneficiaries



Note:

- Auditor have *to check details in notes to account and take a representation from director about such clause and check all transactions of Company in respect of loan and advance received by company and their respective documents.*
- (iii) Based on such audit procedures that auditor has *considered reasonable and appropriate in circumstances, nothing has come to their notice that has caused them to believe that representations under sub-clause (i) and (ii) contain any material misstatement.*
- *Clause (f)*
- Whether *dividend declared or paid during year by company in compliance with section 123 of CA, 2013.*
- *Clause (g)*
(Applicable for year ending on March 31, 2023 + also onwards)
- Whether company has *used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and same has been operated throughout year for all transactions recorded in software and audit trail feature has not been tampered with and audit trail has been preserved by company as per statutory requirements for record retention.*
- *View Notification dated March 24th, 2021*

4. *Checking's + Reporting's by Auditors for amendments in definition of small co's.*

- (i) *Private limited company be treated small company when 1 condition satisfied like:*
 - (a) *To include Private limited company when paid up capital not exceeding 4 crore*
 - or*
 - (b) *Turnover not exceeding 40 crore (anyone) applicable from Sept. 15, 2022*



+ (plus)

(c) *Non small company to be treated when either paid up capital exceeding 4 crore or turnover exceeding 40 crore (anyone).*

(ii) *Private limited company be treated not small company when 1 condition satisfied:*

- *Public limited company not to be treated small company beside either paid up capital not exceeding 4 crore or turnover not exceeding 40 crore (anyone)*

5. *Checking's + Reporting's by Auditors for amendments in definition of OPC*

(i) *Non Resident Indians (NRIs) permitted to incorporate One Person Company (OPC) in India*

+ (plus)

(ii) *NRI not required to convert from OPC to Non OPC beside paid up capital exceeding 4 crore or turnover exceeding 40 crore (anyone)*

+ (plus)

(iii) *Also NRI permitted to convert from OPC to Non OPC without any transition period.*

6. *Checking's + Reporting's by Auditors for amendments in definition of Listed co's.*

- *Whether company not treated listed public limited company ?*

(i) *When public limited company not listed its equity shares on recognized stock exchange but (only) listed its debt securities or preference shares (any) like:*

(a) *When listed public limited company already listed it's non-convertible debt securities which issued under private placement + also with terms and conditions prescribed through SEBI (Issue and Listing of Debt Securities) Regulations, 2008*

Or

(b) *When listed public limited company already listed it's non-convertible redeemable preference shares issued under private placement + also*



with terms and *conditions prescribed through SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013*

Or

- (c) *When abovementioned non-convertible debt securities + also non-convertible redeemable preference shares (both) jointly listed.*
- (ii) *When listed private limited company already listed its non-convertible debt securities issued under private placement on recognized stock exchange + also with terms and conditions prescribed through SEBI (Issue and Listing of Debt Securities) Regulations, 2008*
- (iii) (a) *When listed public limited company not listed its equity shares on recognized stock exchange in India*

But

- (b) *It's equity shares listed on recognized stock exchange outside India in jurisdiction specified under Section 23(3) of CA, 2013.*

7. Checking's + Reporting's by Auditors for amendments in Director's Report of co's.

- (i) *Disclosure for application already made or proceeding pending under Insolvency and Bankruptcy Code (IBC), 2016 during year + also status at end of financial year (both).*
- (ii) *Disclosure for differences between amounts of valuation executed at time of 1 settlement and valuation already made while taking loans from Banks or Financial Institutions + also reasons for differences (all).*
- (iii) *Disclosure for annual report prepared on CSR activities (if any)*

8. Checking's + Reporting's by Auditors for amendments in CSR activities of co's.

- (i) *Presently certain entities required to obtain unique CSR registration number like:*
 - (a) *Registered Public Trust*
 - (b) *Registered Society*
 - (c) *Registered company under section 8 of CA, 2013*



(ii) *Meaning of Unique CSR Registration Number*

- *Abovementioned entities required to register with ROC through filing CSR-1 form to obtain Unique CSR Registration Number when entities intend to undertake any CSR activity.*

9. *Checking's + Reporting's by Auditors for amendments in gap for 2 BODs meetings*

(i) *Presently company permitted to have gap between 2 Board of Directors (BODs) meetings up to 180 day instead earlier up to 120 day*

(ii) *Company permitted for 2 quarterly BODs meetings like Sep 2022 + also March 2023 quarter's meeting (only)*

- *View Circular No 08/20 dated May 03rd, 2021*

10. *Checking's + Reporting's by Auditors for amendments in EGM through Virtual*

- *Presently company permitted to held Extraordinary General Meeting (EGM) through Video Conferencing (Virtual) + Other Audio Visual Means (OAVM) + also postal ballot (all)*

- *View Circular 10/2021 dated June, 23rd 2021 from July 01st, 2021*

11. *Checking's + Reporting's by Auditors for amendments in BODs virtual meetings*

- *Presently 100% companies permitted for holding of BODs meeting through virtual mode for certain purposes (only):*

(i) *For approval of Annual Financial Statements*

(ii) *For approval of Board of Director's Report*

(iii) *For approval of Prospectus*

(iv) *For approval of certain matters like:-*



- (a) *Amalgamation of company*
- (b) *Merger of company*
- (c) *Demerger of company*
- (d) *Acquisition of company*
- (e) *Takeover of company*

- (v) *For audit committee meetings considering of financial statements but after approval from BODs*
- *View Notification 409(E) dated June 15th 2021*
- (vi) *MCA extended relaxed timeline beyond December 31st 2021 to conduct EGM through virtual mode + OAVM + also postal ballot (all).*
- *View Circular dated June 23rd 2021*

12. Checking's + Reporting's by Auditors for amendments in appointment of ID of co's

- (i) *Meaning of Independent Director (ID)*
- *To include director but to exclude Managing Director (MD) + Whole time director (WTD) + also nominee director (all).*
- (ii) *Special circumstances for relaxation for appointment of ID by MCA*
 - (a) *Any individual permitted to appoint ID before inclusion his name in director's data bank maintained by MCA after making payment for fee Rs. 1000 for director*
 - + (plus)*
 - (b) *Also ID permitted to renew his registration through data bank maintained by MCA after making payment for fee Rs. 1000 beside delay exceeding 30 day*
- *View Notification 418(E) dated June 18th 2021.*



13. *Checking's + Reporting's by Auditors for amendments in registration for diff. acts*

- Presently ROC permitted to allow for obtaining registration under certain acts at time of company's incorporation like:-
 - (i) For registration under Goods and Service Tax (GST)
 - (ii) For registration under Employees State Insurance Corporation (ESIC)
 - (iii) For registration under Employees Provident Fund Organization (EPFO)
 - (iv) For registration under Professional Tax
 - (v) For opening Bank Account
- View Notification 392(E) dated June 7th 2021

14. *Checking's + Reporting's by Auditors for amendments in IND AS of co's.*

- Presently MCA introduced few amendments in Indian Accounting Standards (IND AS) for aligning with International Financial Reporting Standards (IFRS) like:
 - (i) Under Ind AS 101 for Presentation of Financial Statements
Term Financial Asset to be replaced with financial instrument under head classification and Measurement of Financial Asset
 - (ii) Under Ind AS 102 for Share Based Payment
Changes made under financial reporting for defining term Equity Instrument
 - (iii) Under Ind AS 107 for Financial Instrument + Recognition + Presentation + Disclosure
 - Certain additional disclosures required in financial statement for Interest Rate Benchmark Reform (IRBR) like:
 - (a) Nature + extent of risk exposed (both) from financial instruments due to IRBR



+ (plus)

(b) Also progress for completing transition for alternative benchmark rates + also to state that how company managing transition (both)

(iv) Under Ind AS 109 for Financial Instrument

- Introduced practical method for assessment of contractual cash flow test to measure financial asset amortized cost for changes in financial assets due to IRBR

(v) Under Ind AS 116 for Lease

- Benefits for rent concession to lessees to be recognized incomes instead of lease rent not exceeding June 2022 instead of not exceeding June 2021

(vi) MCA highlighted new Companies (Indian Accounting Standard) Amendment Rules, 2021

- View Notification dated June 18th 2021

15. Checking's + Reporting's by Auditors for launching of MCA 21 V3

- MCA launched new website for enabling business community to register company + to file statutory documents quickly + also easily (all).



(B) Checking's + Reporting's for amendments for financial statements

(Amendments in schedule-III for year ending on March 31, 2023 + also onwards)

16. Checking's + Reporting's by Auditors for using of Audit Trail software by co.'s

- Presently 100% companies **required to use accounting software + having audit trail** for 100% transactions **beside original transactions already rectified + also deleted (all).**

17. Checking's + Reporting's by Auditors for amendments in Director's Report of co's.

- (i) For **disclosure** about use of accounting software **for maintaining its books of accounts + also having certain features (both)** like:
- (a) For ability **to record audit trail for 100% transactions**
 - (b) For ability **to create + to edit log for 100% changes made in books of accounts + also date for changes (all).**
 - (c) For ability **to ensure that audit trail cannot be disabled.**
 - (d) For ability **to audit to trace 100% steps for financial data for specific transaction starting from general ledger to document's source with help of audit trail.**
- (ii) For **disclosure about annual report on CSR activities (if any)**
- **View Notification dated March 24th, 2021**



(C) Checking's + reporting's by Auditors for loans to directors

(Under Section 185 of Companies Act (CA) 2013)

18. Checking's + Reporting's by Auditors for application of provisions under CA, 2013

- (i) Indian Resident Company *not permitted to give any loan directly + indirectly to any person + also any entity like related + also not related (all).*
- (ii) Meaning of *loan (given)* to any *person* + also any *entity (both)*

To include

- ◆ Unreasonable business *advances*
- ◆ Unreasonable business *debtors*
- ◆ Unreasonable business *guarantees*
- ◆ Unreasonable business *securities for loans (taken)* by certain *persons* + also *entities (both)* like:
 - (a) By Company's *director(s) himself*
 - (b) By Company *holding's entities*
 - (c) By Company *director's partner(s)*
 - (d) By Company's *director relative(s)*
 - (e) By Partnership *firm* + *LLP* when *director(s) himself* + also *director relative's partner (all)*
 - (f) By *Private limited company* + also by *body corporate* where *director(s) interested (both)*

19. Checking's + Reporting's by Auditors for non-application of provisions under CA

- (i) (a) When Special Resolution (*SR*) already *passed in Extra Ordinary General Meeting (EGM)* + *disclosed specific facts* about loans + also *advances (all)*.
+ (*plus*)
- (b) When loan to be *utilized for principal business's activities (only)*



- (ii) (a) When *loan (given) to Managing Director (MD) + Whole Time Director (WTD) under contract for services* + also loans being given under general scheme *available for 100% employees of company (all)*.
+ (plus)
- (b) Also general *scheme already approved through SR* passed in EGM or AGM
- (iii) When *NBFC is lender* + also terms and *conditions same (both)* for 100% borrowers
- (iv) When *Loans + guaranties + securities (all) given to 100% owned subsidiary entity for carrying principal business activities (only)*
- (v) When *Private Limited Company is lender* + also certain *conditions satisfied* like:
- (a) When *shareholding not owned by body corporate (including LLP)*
+ (plus)
- (b) When *100% borrowings from banks + also financial institutions not exceeding 200% paidup capital or Rs. 50 crore whichever lower*
+ (plus)
- (c) When *no default made in repayments for borrowings from banks + also financial institutions (both)*
- (vi) When *guarantees + securities not given to banks + also financial institutions (all) for lending to subsidiary company for principal business activities (only)*
- (vii) When *loan (given) by Nidhi company to its director(s) + also to director's relative shareholder (both)*
- (viii) When *approval obtained from certain govt.'s like:*
- (a) From *Central Govt.*
Or
- (b) From *State Govt.*
Or
- (c) From *Concerned Ministry for Central or State Govt.*



20. Checking's + Reporting's by Auditors for contravention's penalty under CA, 2013

- (i) *Fine on company for each default*
- (a) *Minimum 5 Lac*
- Or*
- (b) *Maximum 25 Lac*
- (ii) *Fine + Prosecution on director + also on officer (all) for each default*
- (a) *Maximum imprisonment not exceeding 6 month*
- Or*
- (b) *Fine*
- (ba) *Minimum 5 Lac*
- Or*
- (bb) *Maximum 25 Lac*
- (iii) *Fine + prosecution on director + on officer who has taken loan + guarantee + also security (all)*
- (a) *Maximum imprisonment not exceeding 6 months*
- Or*
- (b) *Fine*
- (ba) *Minimum 5 Lac*
- Or*
- (bb) *Maximum 25 Lac*
- Or*
- (bc) *Fine + prosecution (both)*

21. Checking's + Reporting's by Auditors for applicable misc. provisions under CA, 13

- *Meaning of director when treated interested in other company*
- (i) *When director in 1st company already director or shareholder in 2nd Pvt. Ltd. Co*
- (ii) *When 1 or 2 or more director(s) holding singly or jointly exceeding 25% shareholding (voting power) for borrowing company*
- (iii) *When BODs or MD or manager of borrowing company accustomed to act or to give directions to BODs or director(s) of lending company*



(D) Checking's + reporting's by Auditors for loans + investments of company

(Section 186 of Companies Act (CA) 2013)

22. Checking's + Reporting's by Auditors for application of provisions under CA, 2013

(i) Resident Indian company *not permitted to invest in other body corporate (including LLP) without satisfaction for certain terms and conditions like*

(a) When investment *not exceeding 60% of paid up capital + free reserves + also share premium (all)*

Or

(b) When investment *not exceeding 100% of paid up capital + also free reserves (both) when investee company having more than 2 layer of companies.*

(ii) Resident Indian company *not permitted to give loans + guarantees + securities to any person + also to body corporate including LLP (all) without satisfaction for certain terms and conditions like*

(a) When loans + guarantees + securities *not exceeding 60% of paid up capital + free reserves + also share premium (all)*

Or

(b) When investment *not exceeding 100% of paid up capital + also free reserves (both) when investee company having more than 2 layer of companies.*

(iii) Resident Indian company *not permitted to give loans + also to invest (both) when investee company already made default in repayment of deposits + interests + also default still continued (all).*

23. Checking's + Reporting's by Auditors for non-application of provisions under CA

(i) Resident Indian company *permitted when investee company located outside India + also having more than 2 layers of companies (both)*



- (ii) Resident Indian company permitted when investee company located in India + having more than 2 layers of companies + also fulfill 100% legal compliances (all) for investment by 1st subsidiary company in 2nd subsidiary company
- (iii) (a) Resident Indian company permitted when exceeding 60% of paid up capital + free reserves + share premiums (all) after passing SR in EGM or AGM
- Or
- (b) Resident Indian company permitted when exceeding 100% of paid up capital + also free reserve (both) after SR passed in EGM or AGM
- (c) Passing SR in EGM or AGM not required when loans + also guarantees (both) provided to certain entities like:
- (d) Loans + also guarantees (both) provided to 100% owned subsidiary company
- Or
- (e) Loans + also guarantees provided to Joint venture + also disclosed in Financial Statements (all)
- (iv) Resident Indian company permitted to give loans to employee under normal service contract
- (v) Resident Indian company permitted to give loans + investments + guarantees + also securities (all) to certain companies like:
- (a) To Banking company
- (b) To Insurance company
- (c) To Housing company
- (d) To Infrastructure Financing Company (IFC)
- (vi) Resident Indian company permitted when investment made by lender investment company



25. Checking's + Reporting's by Auditors for applicable misc. provisions under CA, 13

- (i) Board of Directors (BODs) required to pass resolution with 100% voting in favor of resolution for loans + investments + guarantees + also securities (all)
- (ii) (a) Consent required from banks + financial institutions before giving any loans + to Invest when loans already taken from banks + also financial institutions (all)
+ (plus)
- (b) Consent not required from banks + financial institutions before giving any loan + Investment when loans taken from banks + financial institutions (all)
+ (plus)
- (c) When loans not exceeding 60% of paid up capital + free reserves + also share premium (all)
+ (plus)
- (d) When loans not exceeding 100% of paid up capital + also free reserves (both) when investee company having more than 2 layer of companies.
+ (plus)
- (e) Resident Indian company not made any default in repayment of loans
- (iii) Resident Indian company required minimum 50% investments + also minimum 50% incomes on financial asset for maintaining investment company's status



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