

Common Errors in Audits



Jalandhar Branch of NIRC of ICAI
4th August 2021



CA. PRAMOD JAIN
FCA, FCS, FCMA, LL.B, MIMA, DISA, IP

CA Work Reviewers



AS APPLICABILITY

- **Are Accounting Standards applicable to Non-corporates?**
- **If Yes, which AS?**
- **What if there is non-compliance?**
- **Where to Report such non-compliance?**



Main Objective of Audit

- **To express an opinion on Financial Statement (FS)**
- **FS should be prepared as per applicable AS and statutory requirements**
- **Responsibility of FS, AS,...**

Accounting Standards



**Entities that
are to follow
AS**

Companies

**Other than
Companies**

**Companies
(Accounting
Standards)
Rules, 2006**

Ind AS

ICDS

**AS issued
by ICAI**

ICDS

AS & Disclosures

- **AS I – Policies**
- **Are Notes to A/c prepared in case of audit of Non-corporates?**
- **Comparative figures !!**

AS Applicability for Companies other than Ind AS

- Effective for Accounting Periods from 1.4.2021

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

SMC Disclosure

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

AS Applicability for Non-Companies

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

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

MSME Disclosure

Non Corporate

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

AS Applicability

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

AS Applicability

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

RELATED PARTY

**Accounting
Standards**

AS 18

Companies Act

S. 2(76)

S. 184

S. 188

Income Tax

40A(2)(b)

Relaxations / Exemptions

- **AS-10 – Para 87 – (Exemption to L III & IV) - encouraged to disclose:**
 - **carrying amount of temporarily idle PPE**
 - **gross carrying amount of any fully depreciated PPE that is still in use**
 - **for each revalued class of PPE, the carrying amount that would have been recognised had the assets been carried under the cost model**
 - **carrying amount of PPE retired from active use and not held for disposal**

Relaxations / Exemptions

- **AS-II - Para 44 (Exemption to L III & IV)**
- encouraged disclosures of an enterprise's foreign currency risk management policy.
- **AS 13 – Para 35(f) - (Exemption to L IV) –**
amounts included in PL for the disclosures as specifically required by the relevant statute governing the enterprise.

Relaxations / Exemptions

- **AS-15 - Exemption L II & III whose average number of persons employed during the year is 50 or more:**
 - Para 11 to 16 to the extent of short-term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving)
 - Para 46 & 139 which deal with discounting of amounts that fall due more than 12 months after the balance sheet date
 - Para 50 to 116 & presentation & disclosure requirements laid down in para 117 to 123 in respect of accounting for defined benefit plans. However, such entities should actuarially determine & provide for accrued liability in respect of defined benefit plans by using Projected Unit Credit Method & discount rate used should be determined by reference to market yields at B/S date on government bonds as per para 78. Such entities should disclose actuarial assumptions as per para 120(I)
 - Para 129 to 131 in respect of accounting for other long-term employee benefits. However, such entities should actuarially determine & provide for accrued liability in respect of other long-term employee benefits by using Projected Unit Credit Method & discount rate used should be determined by reference to market yields at B/S date on govt. bonds as per para 78.

Relaxations / Exemptions

- **AS-15 - Exemption - L II & III whose average number of persons employed during the year is less than 50 & Level IV irrespective of number of employees:**
 - Para 11 to 16 to extent they deal with recognition & measurement of short-term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving)
 - Para 46 & 139 which deal with discounting of amounts that fall due more than 12 months after the balance sheet date
 - Para 50 to 116 & presentation and disclosure requirements laid down in paragraphs 117 to 123 in respect of accounting for defined benefit plans. However, such entities may calculate and account for the accrued liability under the defined benefit plans by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year
 - Para 129 to 131 in respect of accounting for other long-term employee benefits. Such entities may calculate and account for the accrued liability under the other long-term employee benefits by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year.

Relaxations / Exemptions

- **AS-19 – Lease – Relating to disclosures:**
 - **Exemption L II, III & IV - Paras 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a) and (f); and 46 (b) and (d).**
 - **Exemption L III & IV – Additional Para 37 (g) and 46 (e).**
 - **Exemption L IV – Additional Para 38.**

Relaxations / Exemptions

- **AS 22 – Relaxation for L IV:**
 - Shall apply for Current tax defined in paragraph 4.4, with recognition as per paragraph 9, measurement as per paragraph 20, and presentation and disclosure as per paragraphs 27-28 of AS 22.
 - Transitional requirements On the first occasion when an entity gets classified as Level IV entity, the accumulated deferred tax asset/liability appearing in the financial statements of immediate previous accounting period, shall be adjusted against the opening revenue reserves.
- **AS 26 - Relaxation for L IV - Paras 90(d)(iii); 90(d)(iv) and 98 relating to disclosures are not applicable.**

Relaxations / Exemptions

- **AS 28 - L II & III - Allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if Level II or Level III Non-company entity chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an entity.**
- **Need not disclose information required by para 121(g).**
- **L III - Paras 121(c)(ii); 121(d)(i); 121(d)(ii) and 123 relating to disclosures are not applicable**

Relaxations / Exemptions

- **AS 29 - Paragraphs 66 and 67 relating to disclosures are not applicable to Level II, III & IV**

Errors in Compliances:AS-I

Omit to disclose significant accounting policies with regard to the following:

- **Borrowing Costs**
- **Valuation of Inventories**
- **Accounting for Investments**
- **Employee Benefits**
- **Accounting for taxes on income**
- **Impairment of Assets**
- **Provisions, Contingent liabilities and Contingent Assets**

Errors in Compliances: AS-2

Not using correct wordings:

- Stocks of Cards are **valued at Cost** and on FIFO basis and include all applicable overheads in bringing the inventories to their present location and condition. Work in progress is valued at *Cost*.
- Work - in - Progress is **valued at direct raw material cost** and appropriate cost of completed process.
- Raw materials are **valued at average cost**. RM at bonded warehouse stores, spares, consumables, packing material, coal & fuel are valued at cost.
- Work in Process **is valued at raw material cost**.
- Cost of finished goods and work in progress are determined on **estimated cost basis**.
- Cost is determined by using first in first out formula. **Cost comprises all**.
- Inventories are stated at lower of cost and net realisable value. **Cost is determined on weighted average/ first-in first-out (FIFO) basis, as considered appropriate by the Company**.
- Cost of inventories is computed on **weighted average / FIFO basis**.

Errors in Compliances:AS-3

- **From Cash Flow Statement it was noted that the following items were disclosed as 'Cash Flow from Financing Activities':**
 - **Loan Repayment**
 - **Loan disbursed**
- **Since company under review is a financial enterprise, loans made and repayment thereof should have been classified as 'cash flows from operating activities' rather than 'cash flows from financing activities'.**

Errors in Compliances:AS-7

- **SAP relating to construction contracts states as below:**
 - **“Job work revenue is accounted on the basis of running bills raised and approved by the clients. Revenue Expenditure is accounted on accrual basis as and when it is incurred.”**
- **AS 7 requires to recognise revenue and costs based on the stage of completion of the contract activity as on the reporting date**

Errors in Compliances:AS-9

- **SAP relating to online educational services states as below:**
 - “revenue from online educational services (if charged) is recognised upon receipt of subscription fee (in case of non-refundable) otherwise apportioned over the subscription period.”
 - “Revenue from online educational services is recognised upon receipt of subscription fees. ...”
- **Subscription fee for online educational services should be recognised apportioned over the service period.**

Errors in Compliances: AS-9

- **Dividend income has been disclosed as follows:**
 - **Dividend is accounted as and when received.**
 - **Income & Expenditures are recognised on accrual basis except dividend on shares and units of Mutual Funds, which are recognised on cash basis.**
- **AS 9 requires recognition of dividend income when the right to receive payment is established.**

Errors in Compliances: AS-9

- **Revenue Recognition have been disclosed as:**
 - **Revenue (income) is recognised when no significant uncertainty as to measurability or collectability exists.**
 - **Revenue/Income & Cost/Expenditure are accounted for on accrual basis.**
 - **Sales are accounted for on dispatch of products.**
- **In 1st case revenue has been recognised when there is no uncertainty as to measurability & collectability whereas in 2nd case it simply states accrual basis. However, in none of cases timing of recognition of revenue i.e. when enterprise has transferred significant risk & reward to buyer has been disclosed. In the last case too, it was not clear when significant risk & rewards stands transferred.**

Errors in Compliances:AS-I I

- It was noted that certain foreign exchange transactions have been entered during the year
- However, **no exchange gain or loss arising on account of foreign exchange fluctuation has been disclosed separately in the Statement of Profit and Loss or in the notes to accounts, which is not in line with the requirement of AS I I.**

Errors in Compliances:AS-I I

- It was noted that the export sales have been recorded at the rate notified by the customs for invoice purposes.
- **Export sales have been recorded at the rate notified by the customs for invoice purposes instead of translating the same on the basis of exchange rate prevailing on the date of transaction.**
This is not in line with the principles enunciated in paragraph 9 of AS I I

Errors in Compliances: AS-15

- It was stated that “Annual contributions in respect of provident fund are made to the Life Insurance Corporation of India and are accounted for on accrual basis.”.
- **Expense of defined contribution plan should be recognized for each period of service rendered by employees; however, SAP states that such expense has been recognized when the contribution is made to the fund.**
- The contribution in excess of what is due is to be recognized as an asset and contribution falling short is to be recognized as liability

Errors in Compliances: AS-15

- It was stated that “Provision for gratuity is made in the accounts, considering the Balance sheet date as the notional date of retirement”.
- Since it does not **consider actuarial risk while valuing its liability towards gratuity, it was viewed that actuarial valuation is not followed by the company.** It is against the requirements of AS 15.

Errors in Compliances: AS-16

- SAP on Valuation of Inventories states that – Finished goods are valued at lower of cost or net realisable value; cost includes depreciation, *interest* (excluding interest on discounting of bills) and direct expenses to the point of stocking, excise duty but excludes admin. and selling expenses.
- **AS 2**, provides that interest and other borrowing costs are usually considered as not relating to bringing the inventories to their present location and condition and are, therefore, usually not included in cost of inventories
- **AS 16**, provides that no borrowing cost (interest) can be capitalised unless such inventories take a substantial period of time to get ready for sale.

Errors in Compliances: AS-18

- It was observed:
 - The names of the related parties as well as the transactions that have taken place with such related parties have been disclosed but the **nature of relationship with them has not been disclosed.**
 - The **phrase ‘Other Related parties’ has been used** rather than giving, specific relationship details for parties with whom transactions have taken place.
 - It was noted that certain companies are subsidiaries of other companies. However, **name of the holding company was not disclosed in Related Party.**
 - It was noted that a wholly owned subsidiary was formed during the year; however, **name of the subsidiary was not disclosed as a related party**

Errors in Compliances:AS-I 8

- **It was observed following were not disclosed:**
 - **Advances given to directors;**
 - **Application money received from KMP for preferential allotment;**
 - **Equity shares allotted to KMP on conversion of warrants;**
 - **Dividend paid to the holding company;**
 - **Loans and advances given to as well as repaid by the subsidiary**

Errors in Compliances: AS-20

- It was noted that the diluted earnings per share has been stated to be as Not Applicable (NA) or on the face of Statement of profit and loss as well as under notes to accounts, only 'earning per share' has been disclosed, without stating whether it is basic EPS or diluted EPS
- **Even if there is no difference in the basic and diluted EPS, to comply with the requirement of AS 20, the basic as well as diluted EPS should be explicitly disclosed – in case of other than SMC**

Errors in Compliances: AS-22

- It was noted that few companies do not disclose the break-up of the DTL/ DTA either in the schedule or notes to accounts.
- It was noted - “....The management is of the opinion that sufficient future taxable income will be available against which, such deferred tax assets will be realised.....”
- **It failed to state that whether there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available**

Errors in Compliances:AS-26

- It was viewed that the expenditure incurred on **rental paid for pre-commencement of retail stores, factories, seed marketing expenses, public/ capital issue expenses, preliminary expenses cannot be considered to be a 'resource' being controlled by the enterprise and hence, such expenses do not meet the criteria of the term 'asset' and therefore, they cannot be treated as asset.**

Errors in Compliances: AS-26

- SAP states: - “Cost of Right of Way for laying pipelines is capitalised as Intangible Asset and being perpetual in nature, is not amortised”.
- **It was viewed that as per AS 26, useful life of the right of way may be very long but it is not infinite, accordingly, the depreciable amount should be allocated on a systematic basis over the best estimate of its useful life which can be determined based on technical, legal and economic factors**

Errors: Schedule II

While comparing the lives estimated by management vis-a-vis lives indicated under Schedule II to Companies Act, 2013, it was noted that in certain cases the lives estimated by management are different from the lives prescribed under Schedule II

- **Company should disclose the lives used for depreciation of those assets, which is different from the lives prescribed under Schedule II and it should be supported by technical evaluation/ advice.**

Errors: Schedule III

- It was noted that the corporate guarantees issued to banks and financial institutions has been disclosed under the heading of contingent liabilities
- A contingent liability in respect of guarantees arises when a company issues guarantees to another person on behalf of a third party.
- **Where a company undertakes to perform its own obligations, and for this purpose issues, what is called a "guarantee", it does not represent a contingent liability and it is misleading to show such items as contingent liabilities in B/S**
- ***Performance guarantees and counter guarantees should not be disclosed as contingent liabilities.***

Errors: Schedule III

- **Not disclosed rights, preference and restrictions with respect to each class shares**
- **Only final amount at end of Yr were reflected, without disclosing movement during the year**
- **Appropriations from Profit for the year were reflected on the face of the Statement of Profit and Loss. It has to be made through Reserves and Surplus after transfer of Surplus from Statement of Profit and Loss.**
- **Dr. Balance of Statement of Profit & loss was reflected on Assets side of the Balance Sheet instead of showing as a negative figure under the head surplus**

Errors: Schedule III

- Secured Borrowings includes loan availed by creating charge on the property of a director and his personal security. However, there is **no disclosure of such security offered for borrowing**. Are these secured!!
- **Current Maturities of Long Term Borrowings were reflected as Short Term Borrowings** instead of disclosing under head “**Other Current Liabilities**”.
- Classification of Loan as a non current liability in PY, which on becoming a current liability during the current FY, it re-classified the loan as current for PY too. **If there is a change in classification during subsequent year it is so, for that year. It would not change the position as of previous year**

Errors: Schedule III

- It was observed that **Trade Payables** includes dues payable in respect of statutory obligations like PF, dues towards purchase of fixed assets and other contractual obligations. Payable which is in respect of amount due towards goods purchased or services received in the ordinary course of business, shall be classified as Trade Payable. **Other payables as in the given case cannot form part of Trade Payables, but would be classified as “Other Current/ Non-Current Liabilities”.**
- **A company having Tangible & Intangible assets did not categorize the same accordingly. Similarly separately for Capital Work in Progress, and Intangible Assets under Development**

Errors: Schedule III

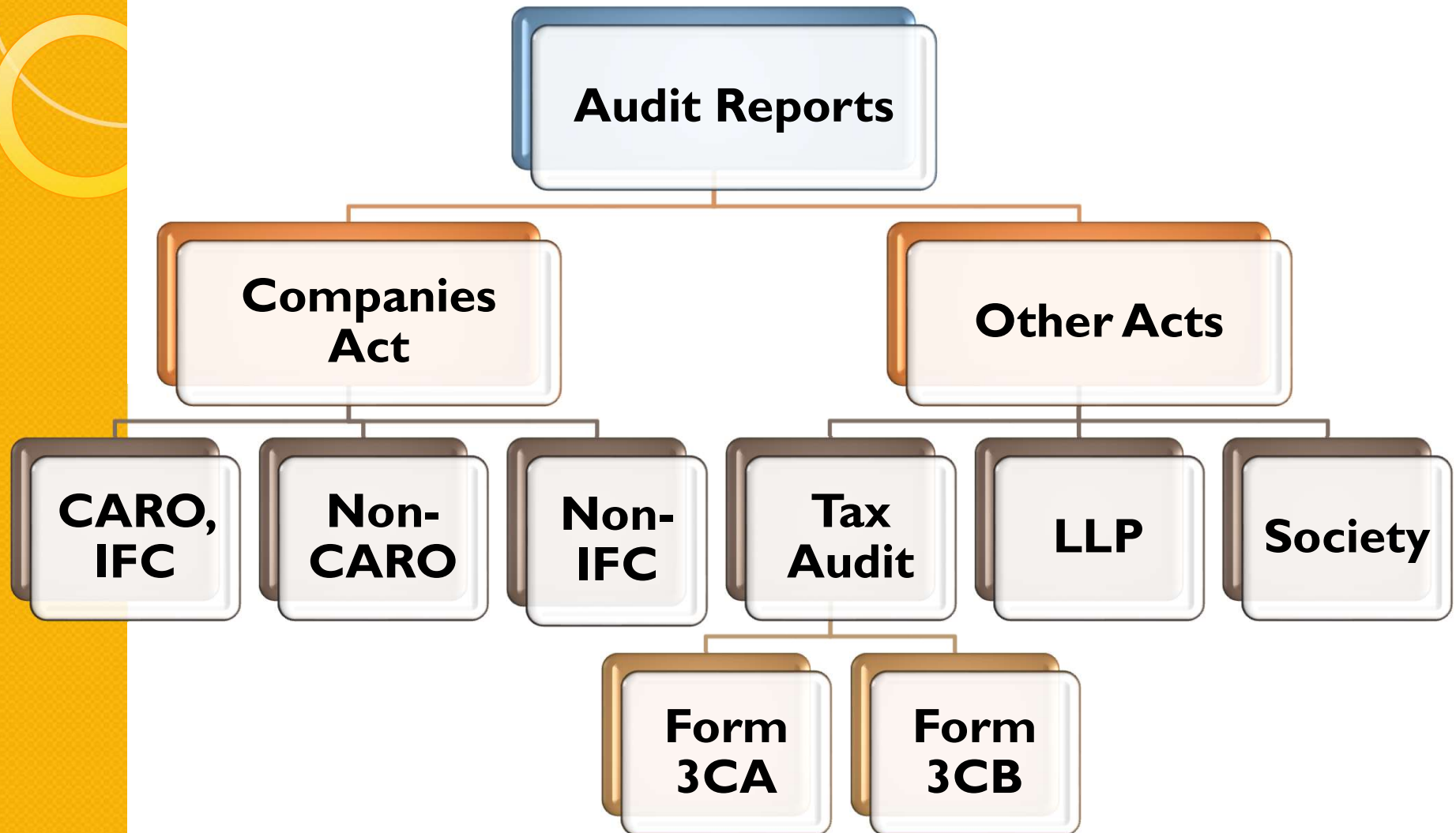
- Advance given for Capital Asset !!!
- **Any advance for purchase /construction of fixed assets has to be classified as Long Term Loans and Advances.**
- **Investment in Partnership Firms included investment in LLPs.** LLP is a body corporate and not a partnership firm. Hence disclosures of investment in Partnership Firms would not include investment in LLPs. **Such investments should be disclosed separately under “Other Investments”.**
- Trading goods included in Finished goods.
- **Disclose separately Stock-in-Trade**

Errors: Schedule III

- **Trade Receivables outstanding for more than six months were wrongly considered from the date of invoice. Should be from due date of payment.**
- **Trade Receivables wrongly included receivables due from sale of Fixed Assets and Investments – should be others.**
- **Fixed Deposits having maturity beyond 12 months were disclosed under this head. It was viewed that Fixed Deposits with more than 12 months maturity have to be disclosed as “Other Bank Balances” and the non-current portion of such deposits should be classified under the head “Other Non-Current Assets.**

AUDIT





Types of Audit Reports

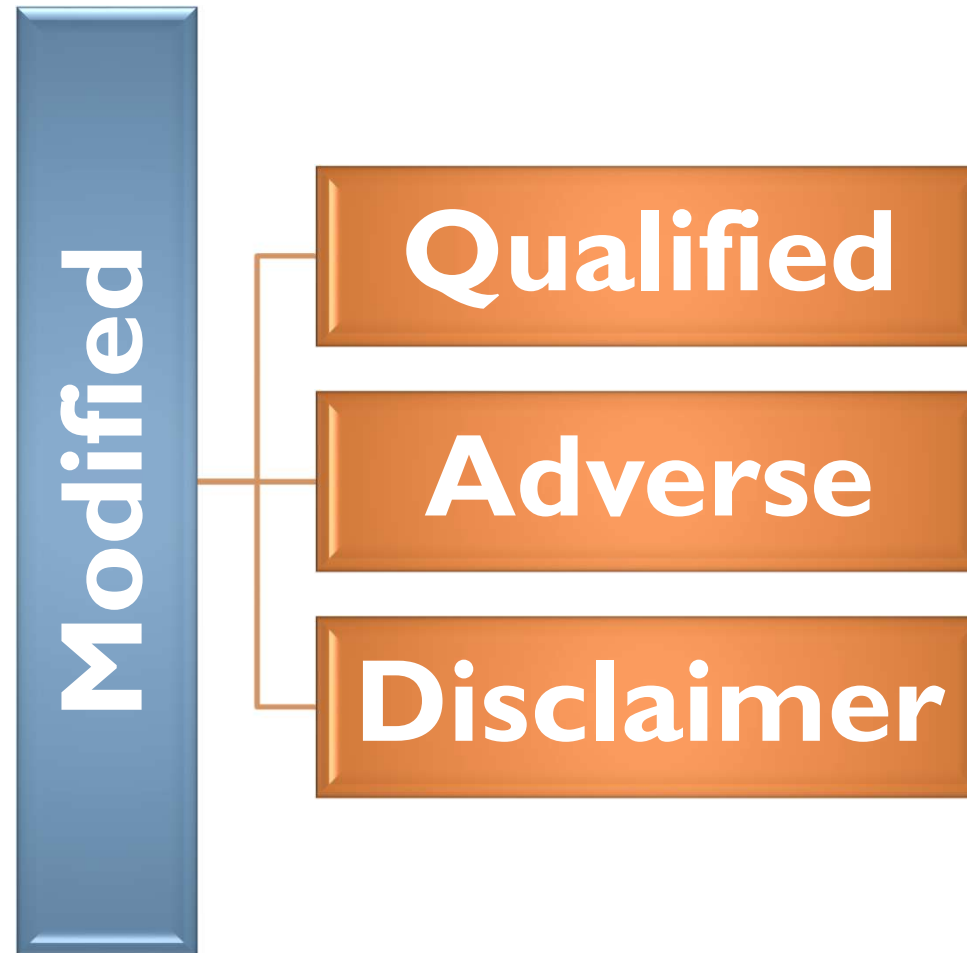


Unmodified



Modified

Modified Audit Reports



Modified Audit Reports

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



No. of Standards

Type of Standards	Abbrevi ation	Numerical Series	Nos.
Standards on Quality Control	SQC	01-99	1
Standards on Auditing	SA	100-999	38
Standards on Review Engagements	SRE	2000-2699	2
Standards on Assurance Engagements	SAE	3000-3699	3
Standards on Related Services	SRS	4000-4699	2

Standards on Review Engagements

SRE No.	Sub-division
2400	Engagements to Review Financial Statements
2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity

Standards on Assurance Engagements

SRE No.	Sub-division
3400	The Examination of Prospective Financial Information
3402	Assurance Reports on Controls at a Service Organisation
3420	Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus

Standards on Related Services

SRE No.	Sub-division
4400	Engagements to Perform Agreed-upon Procedures regarding Financial Information
4410	Engagements to Compile Financial Information

Legislation for AY 2021-22

S. 44AB

- Business – exceeds Rs. 1 Crore / 5 Crores / 10 Crores
- Profession – exceeds Rs. 50 L
- Business u/s 44AE /44BB /44BBB; income < deemed profits;
- Profession u/s 44ADA; deemed profit < 50% & TI > MANCT
- Business u/s 44AD (4) & TI > MANCT

Rule 6G

- Prescribing the Forms for Report u/s 44AB

Form 3CA

- Report in case of a person who is required to get his A/cs audited under any law

Form 3CB

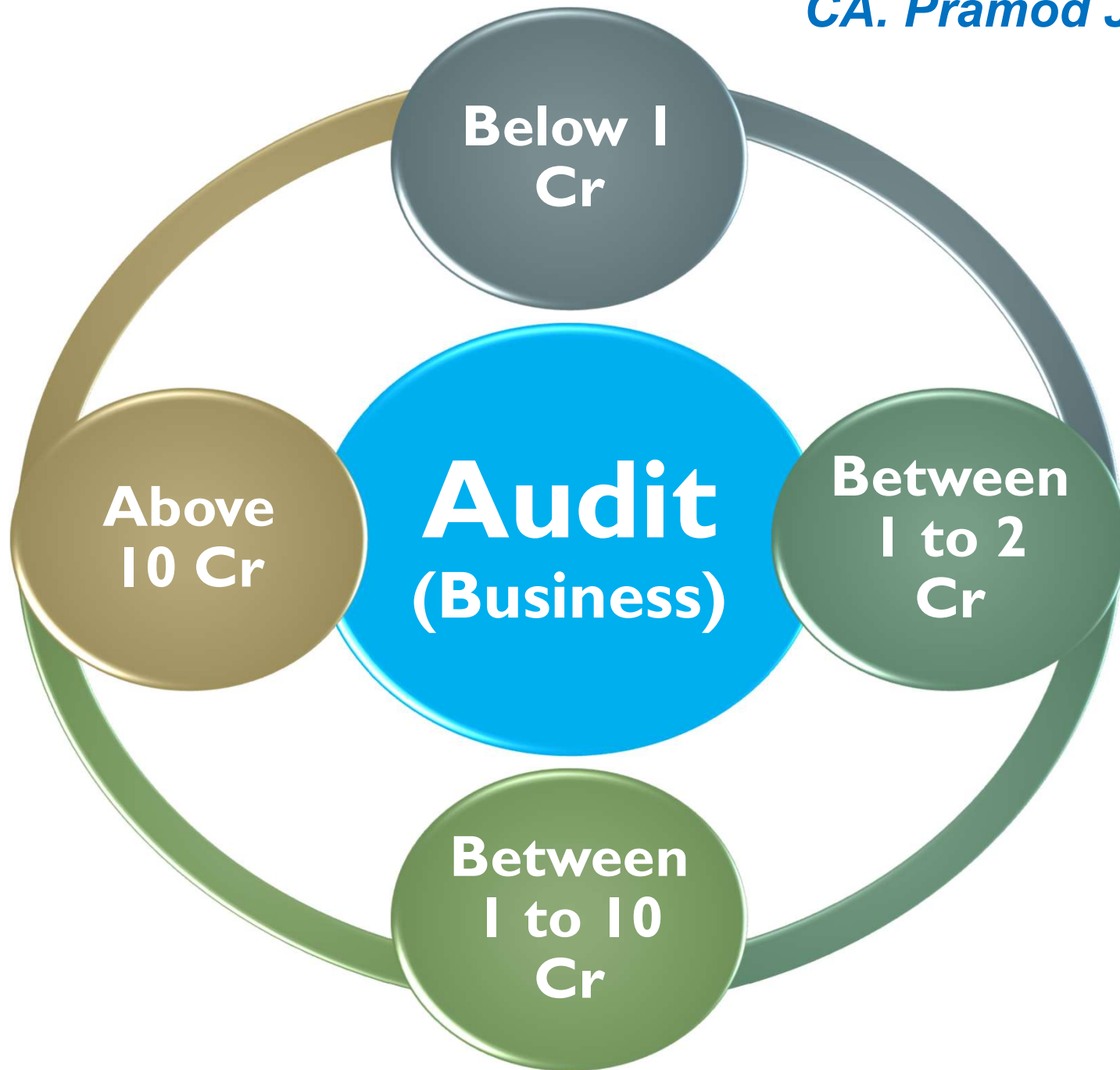
- Report in any other case

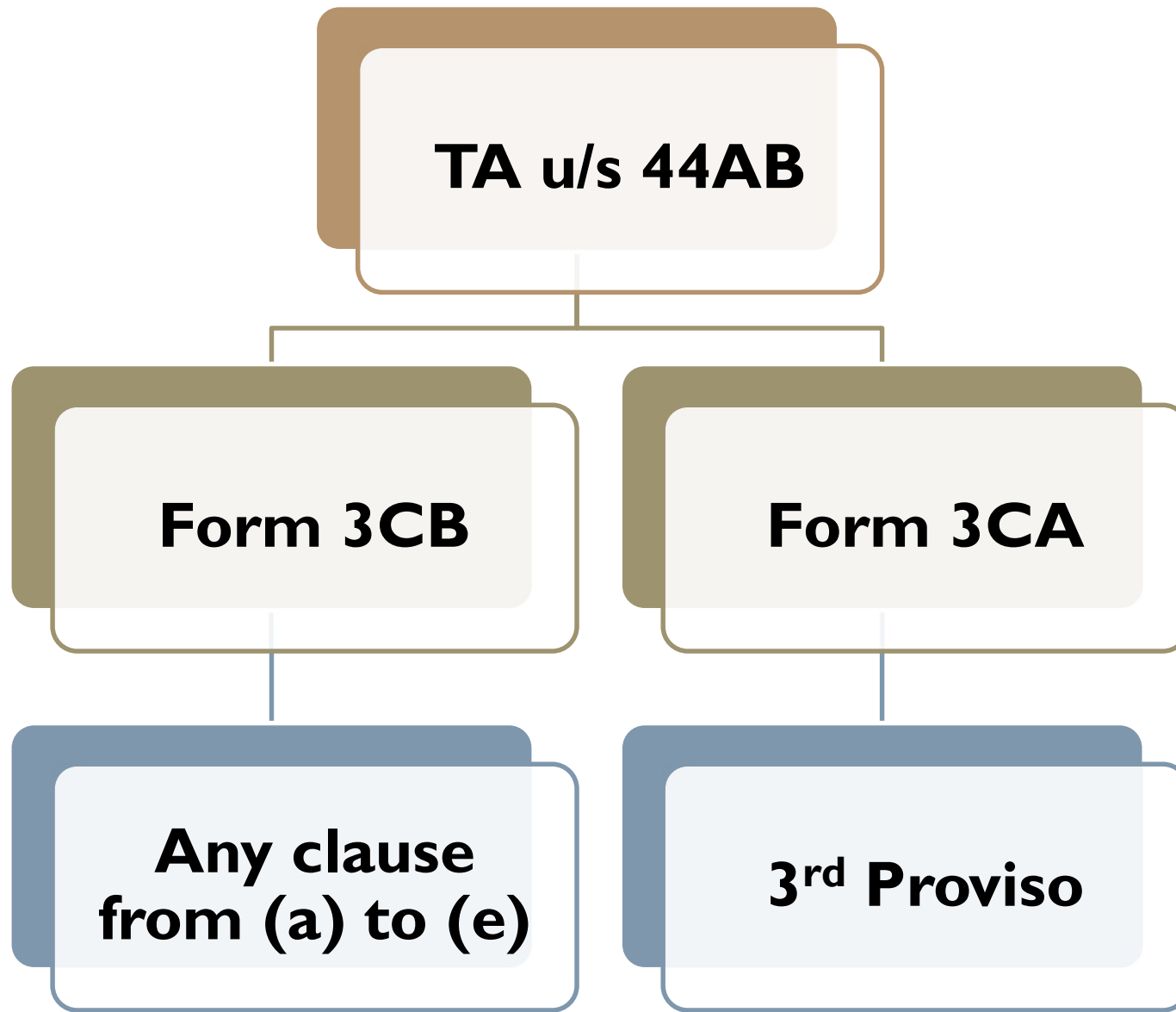
Form 3CD

- Particulars as required in Form 3CA or Form 3CB

S. 271B

- Penalty $\frac{1}{2}\%$ maximum Rs. 1.50 L





Form 3CA

- **Total 3 Paras**
- **Examination of books by auditor included before giving opinion**
- **Opinion to be given subject to observations / qualifications, no annexures ... Para 3**

Form 3CB

- **Total 5 Paras**
- **Same as Form 3CA except examination of books**
- **Opinion subject to observations / qualifications to be given:**
 - **Financial Statements – 3(a)**
 - **Form 3CD – 5**
- **SA 700?**

SA 700 – Para 3(a) – 3CB

- **Assessee's Responsibility for the Financial Statements**

1. The **assessee is responsible for the preparation and fair presentation of the financial statements** in accordance with the **Accounting Standards** issued by the **ICAI**, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
2. In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.
3. Those charged with governance are responsible for overseeing the entity's financial reporting process.

SA 700 – Para 3(a) – 3CB

- **Tax Auditor's Responsibility**
- Our objectives are to **obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement**, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is **not a guarantee** that an audit conducted in accordance with SAs will always **detect a material misstatement** when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these FS

SA 700 – Para 3(a) – 3CB

- **As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit.**
- **We also:**
 - **Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.**

SA 700 – Para 3(a) – 3CB

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company

SA 700 – Para 3(a) – 3CB

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- **We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.**
- **We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.**

SA 700 – Para 5 – 3CB & Para 3 – 3CA

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

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

SA 700 – Para 5 – 3CB & Para 3 – 3CA

• Tax Auditor's Responsibility

1. We are also responsible for verifying the statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961 annexed herewith in Form No. 3CD read with Rule 6G (1) (b) of Income-tax Rules, 1962. We have conducted my/our verification of the statement in accordance with Guidance Note on Tax Audit under section 44AB of the Income-tax Act, 1961, issued by the Institute of Chartered Accountants of India.

Certificates

- How are they issued?
- For what??
- Guidance Note on Reports or Certificates for Special Purposes
- UDIN

TO WHOM SO EVER IT MAY CONCERN

This is to certify that ----- is sending the following material as listed below with Mr. -----, who are employees of ----- to one of our customers ----- as samples. We further declare that they have no commercial value and are sent on Free of Cost basis. Value for the purpose of customs is Rs.-----/- only.

1. -----
2. -----
3. -----
4. -----
For -----

GN Illustrations

- 1. Turnover/Net Worth/Net Profit/Working Capital/similar engagement pursuant to a Tender requirement**
- 2. Annual Activity Certificate for Indian Branch Office/Liaison Office of Foreign Companies**
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