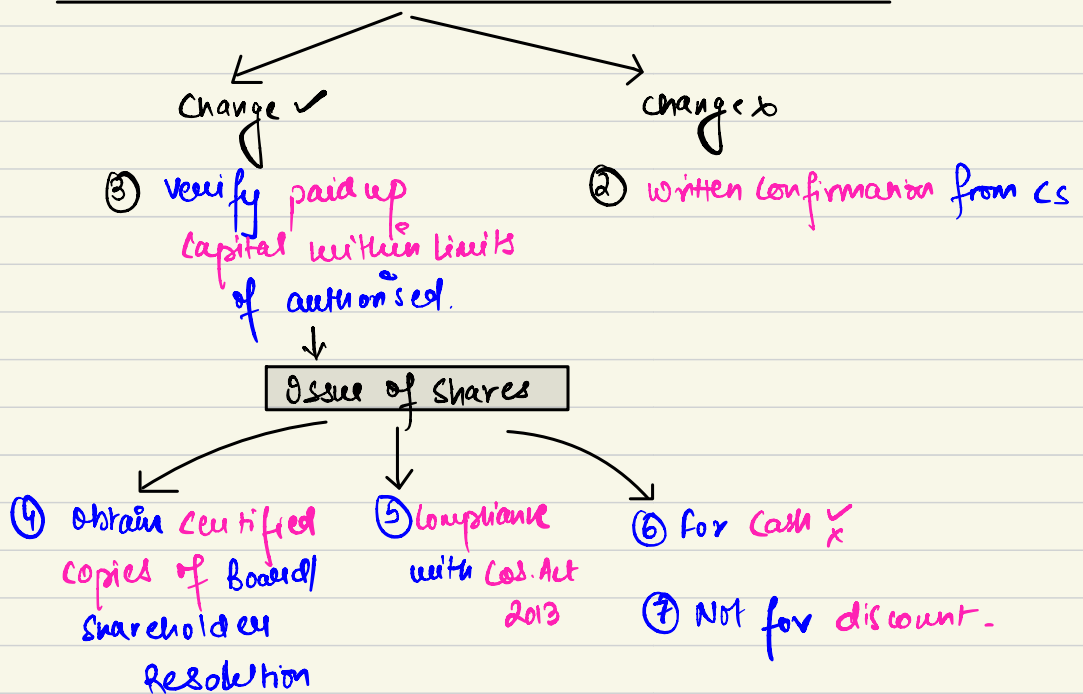


Share Capital

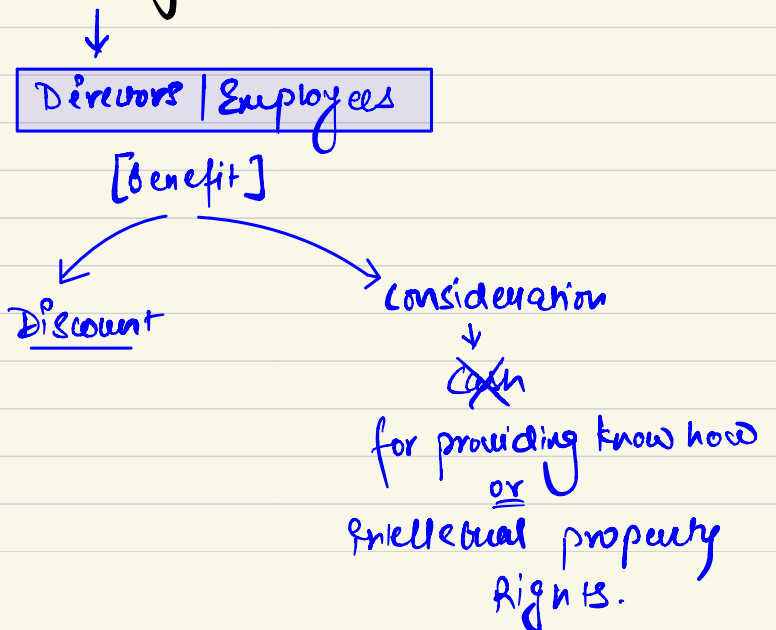
① Tally $\begin{cases} \text{CY} \\ \text{PY} \end{cases}$ Balances (Authorised, issued, paidup)



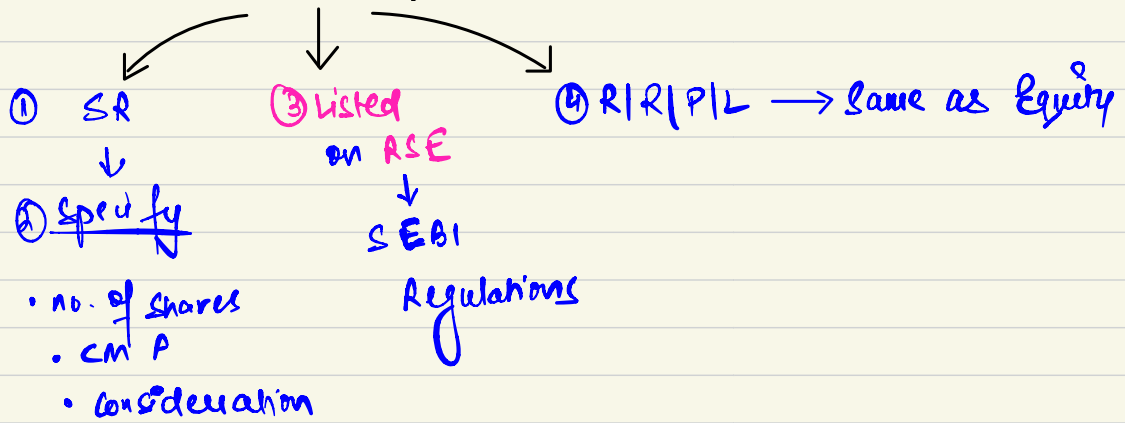
Shares issued at discount [Audit check?]

- movement in S.E. → Any issue?
- Read M.O.M [AOD + SH]
- issued to creditors [debt → shares]

Sweat Equity Shares



Auditor check?

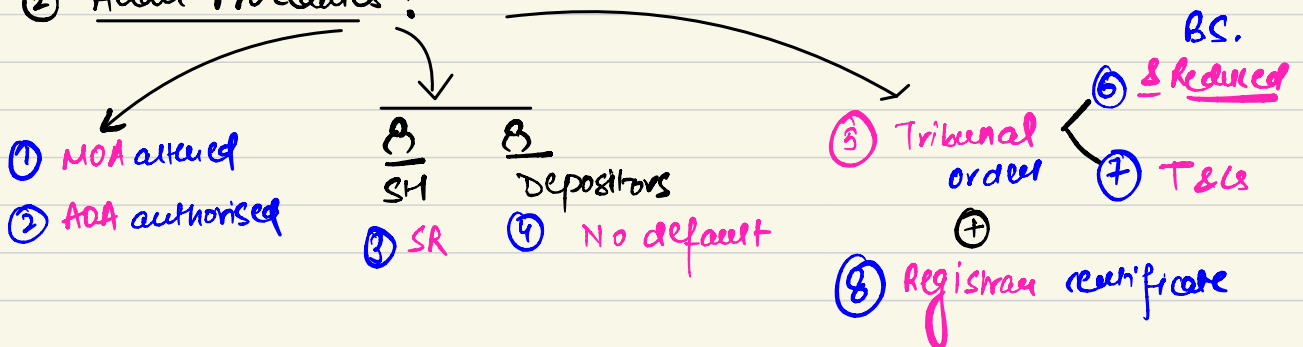


Reduction of share Capital

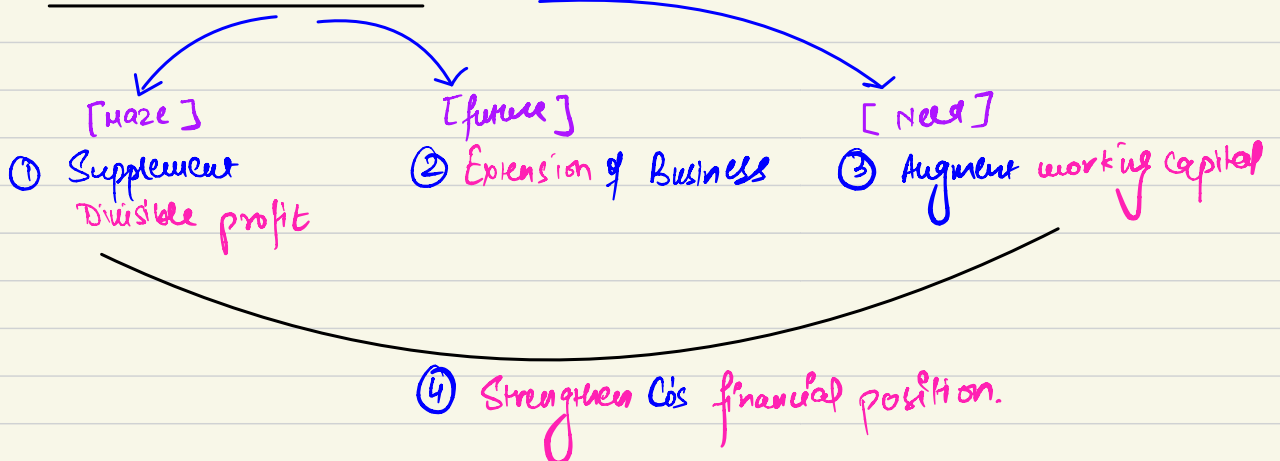
① why?

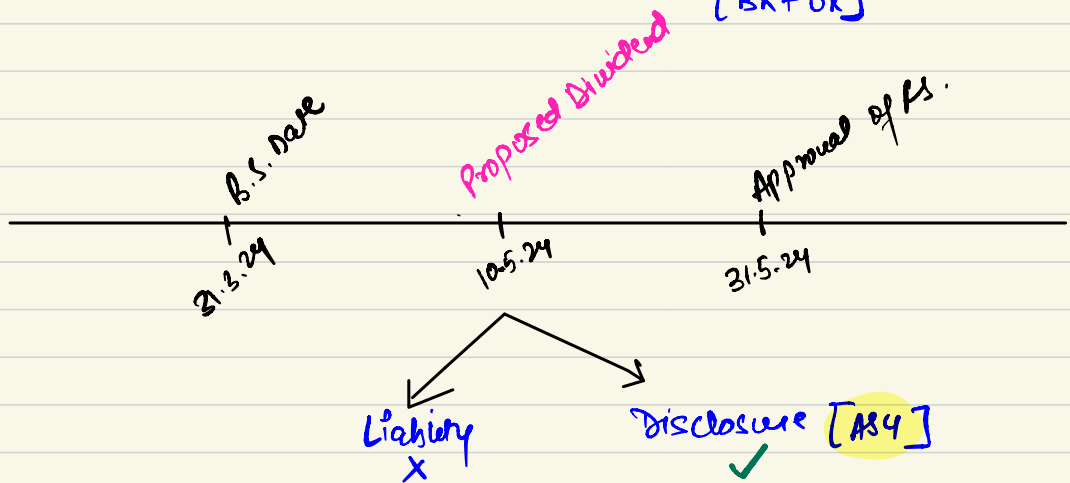
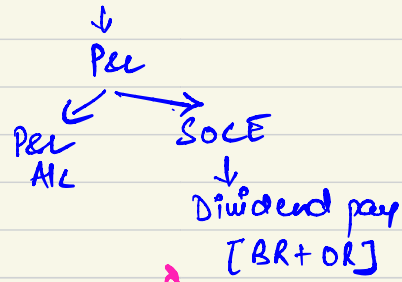
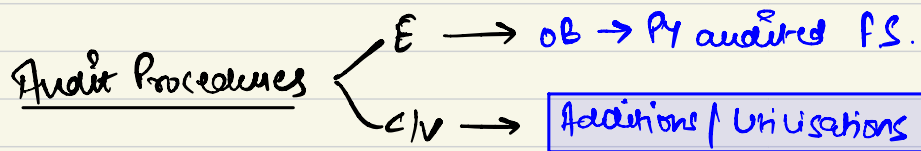
- Accumulated losses
- Assets value ↓
- Surplus capital ↑

② Audit Procedures?



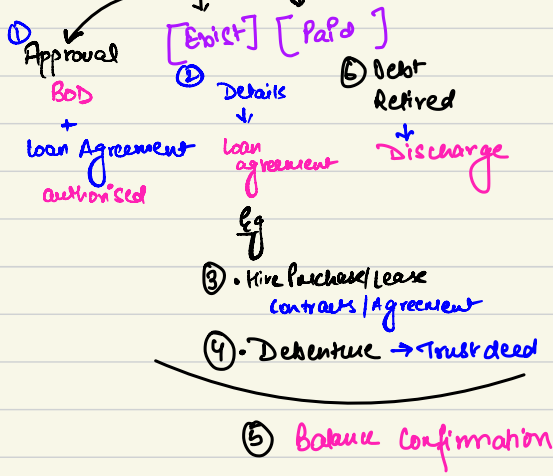
Revenue reserves (Role?)





Borrowings

Existence



Completeness

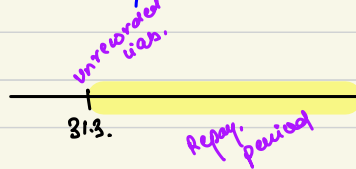
1. Schedule ST+LT & (OB (+) (-) CB)

• Additions

- Minuses BoD
- contracts confirmation

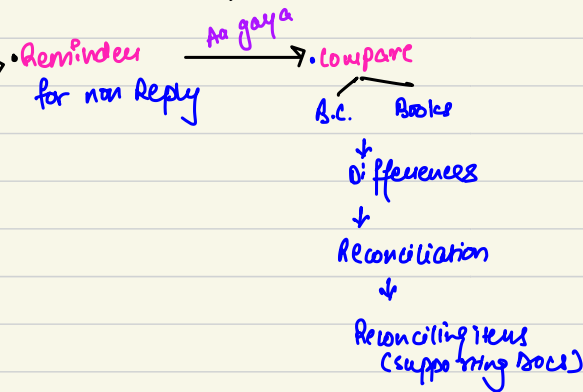
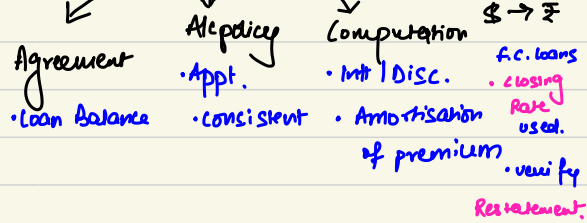
C.B → GL

2. Subsequent Transⁿ AFTER period end



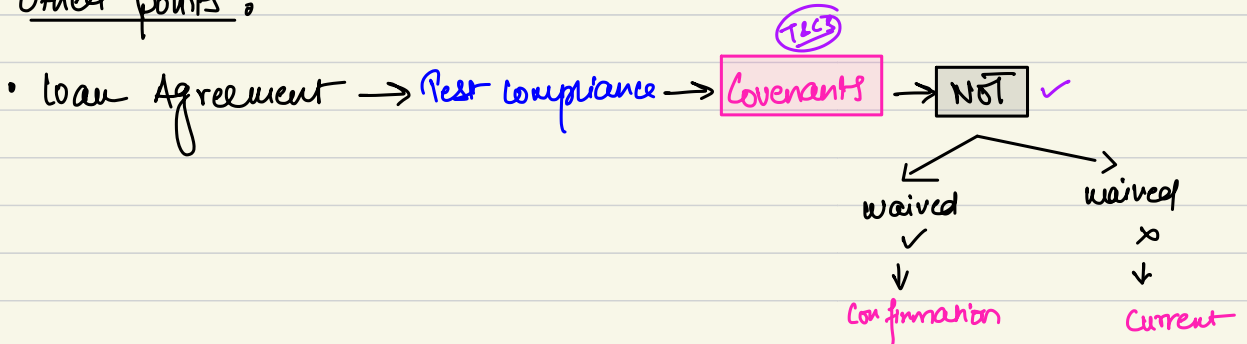
3. Direct Conf. procedures

Valuation [Correct Amt]



- ASK all relevant info.
 - Full Rate %
 - Due dates
 - collateral

Other points:



- check Due dates
 - ← ST
 - ← LT

- Instalments due in 12 months → Disclosed → check correctness.

- Loan of ₹100,000
Value of Security ₹120,000 → ₹60,000
Secured Loan ₹60,000

• Related Party Borrowings → AS 18 or Ind AS 24.

• Borrowing within powers [NOA & AOA]

• Complied with Sec 180 & 185/186

Borrowings > PUC + free Reserves

SR

• Examine Purpose

• Accepted Deposits → check compliance with RBI directives. ↗ CARO 2020 clause (v) Para 3

Trade Payable & OCL

Existence

Controls

→ any Invoice

→ not recorded more than once

Alt Payable Ageing Report

[Trace]

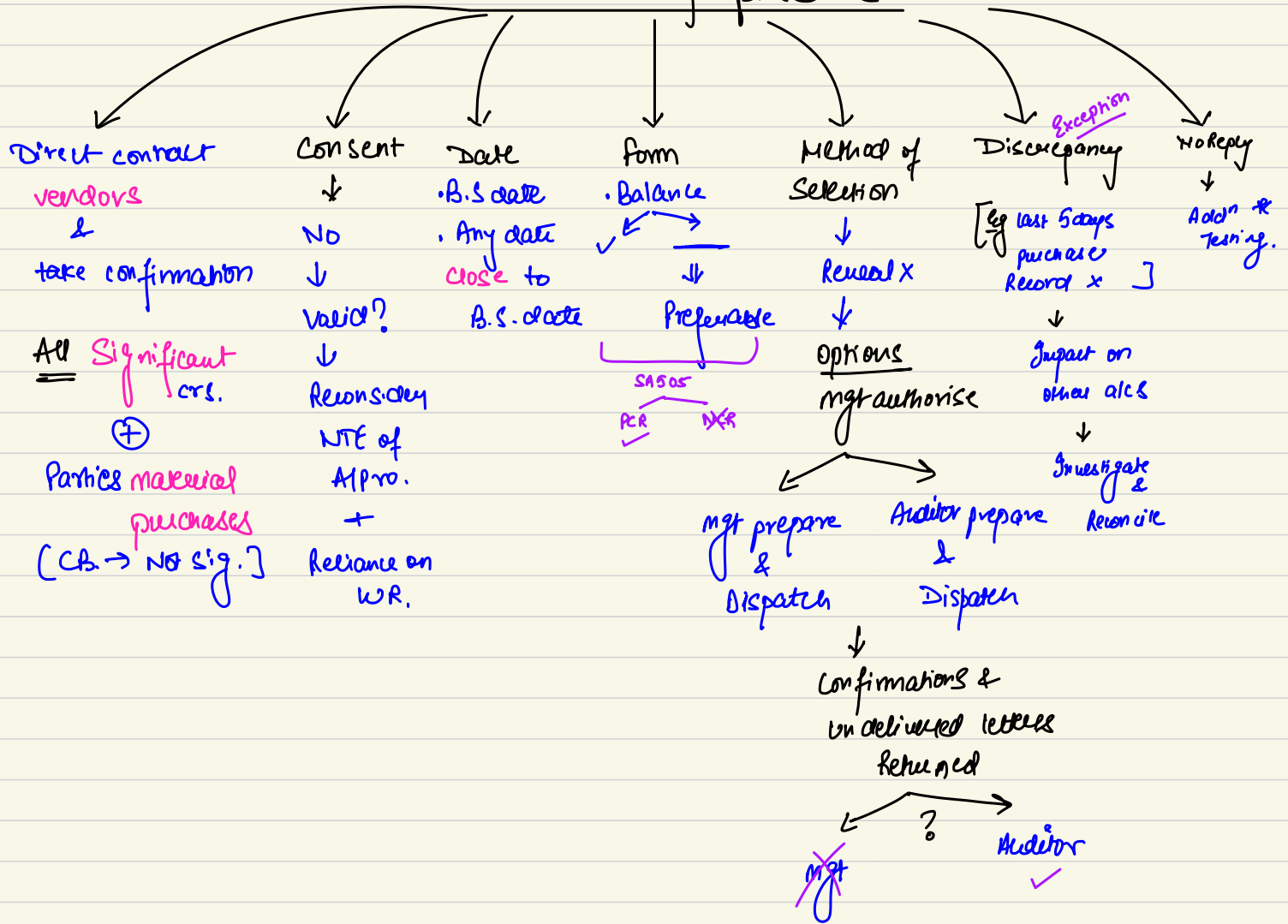
G.L.

Difference

Investigate
Reo. items

Direct Conf. Procedure

Direct Conf. procedure



Addrⁿ Testing [Alternate Pro.]

Invoices

Subsequent payments

Detailed Analysis

- Identifiable Transⁿ
- Actually Incurred?

[Examination for depth]

Other points:

• R.P. payables
 {

 Authorised

 Value → ALP

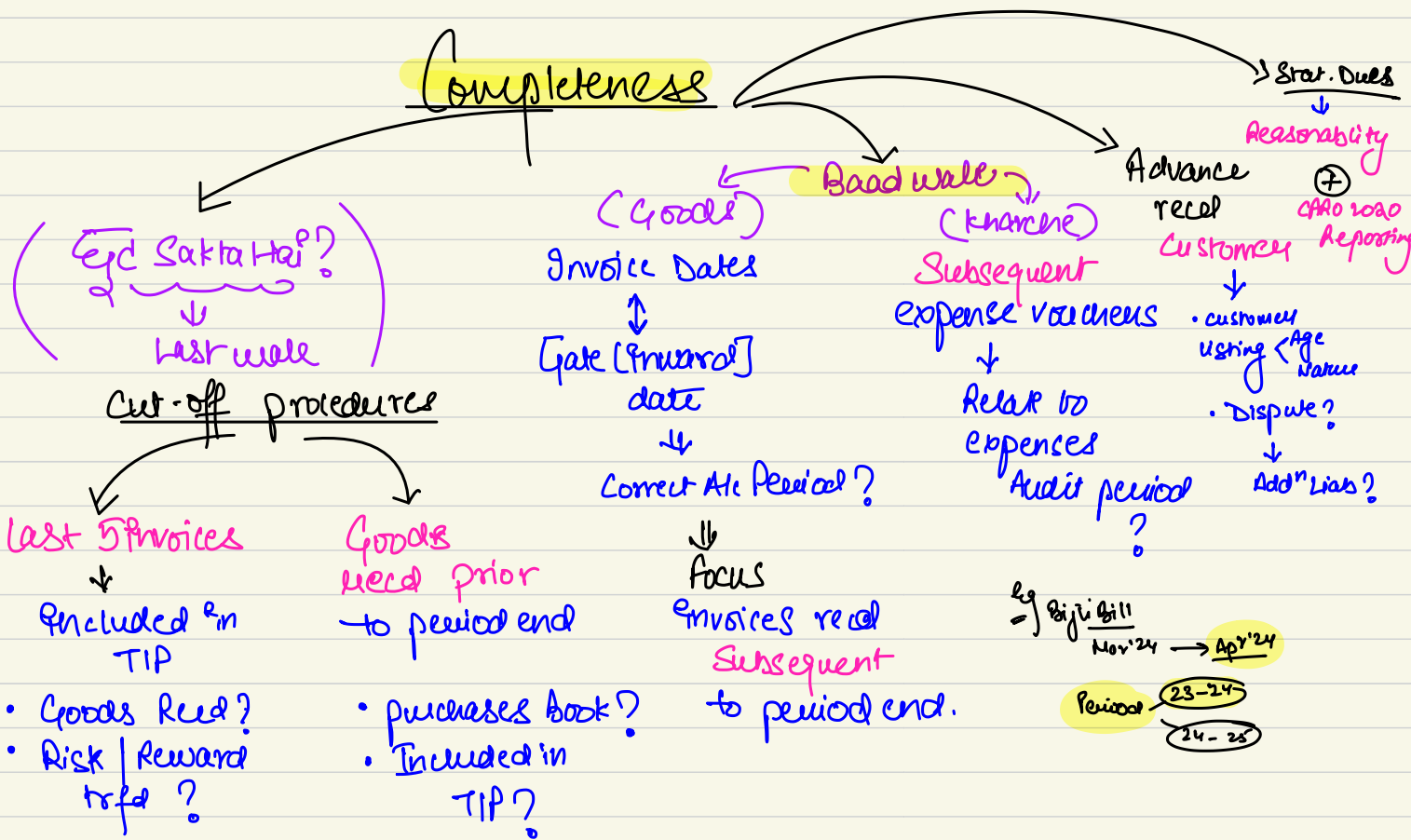
• Trend Line
 {

 Purchases

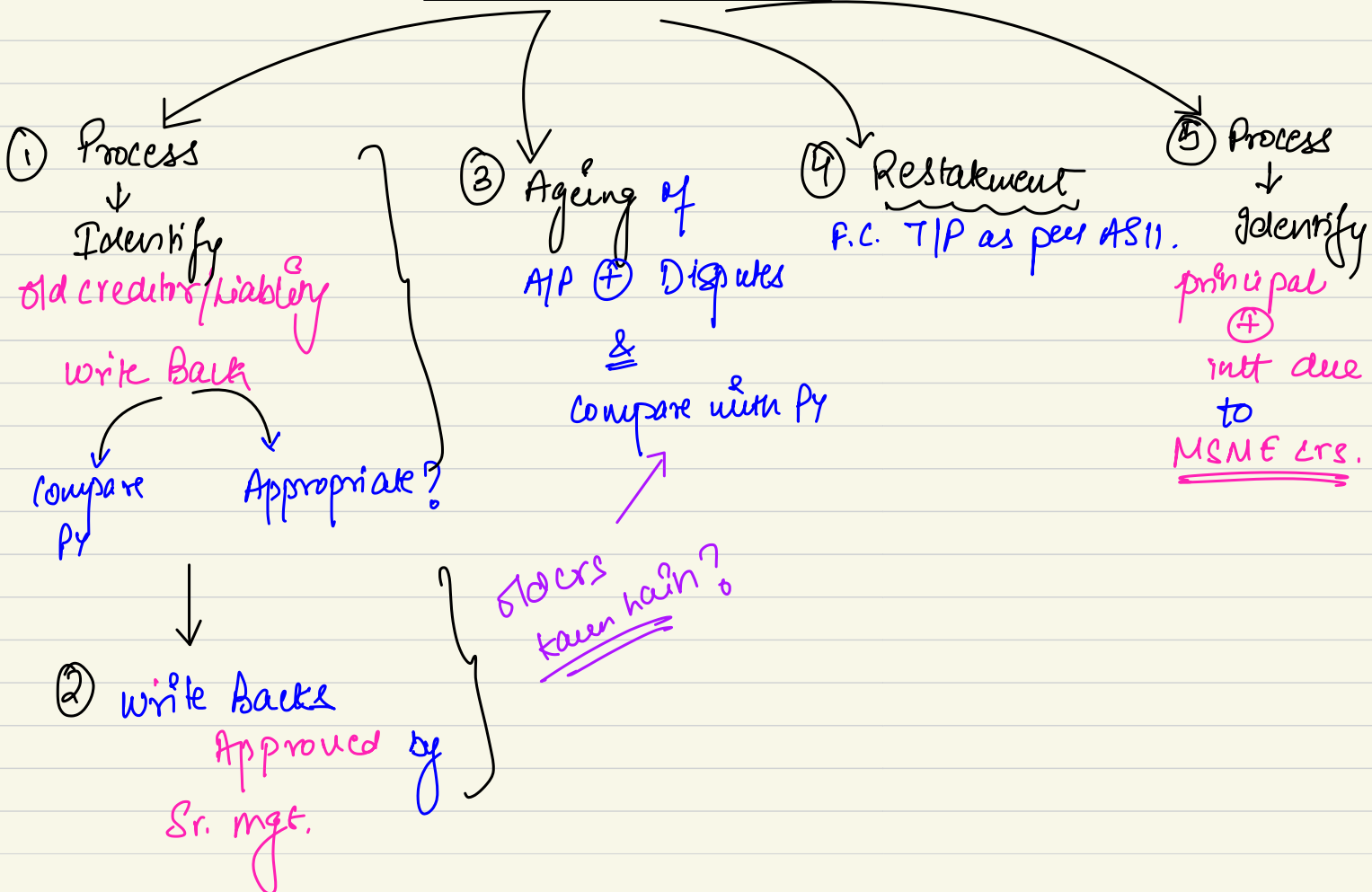
 A/c payable

 → Inconsistency → Analyse

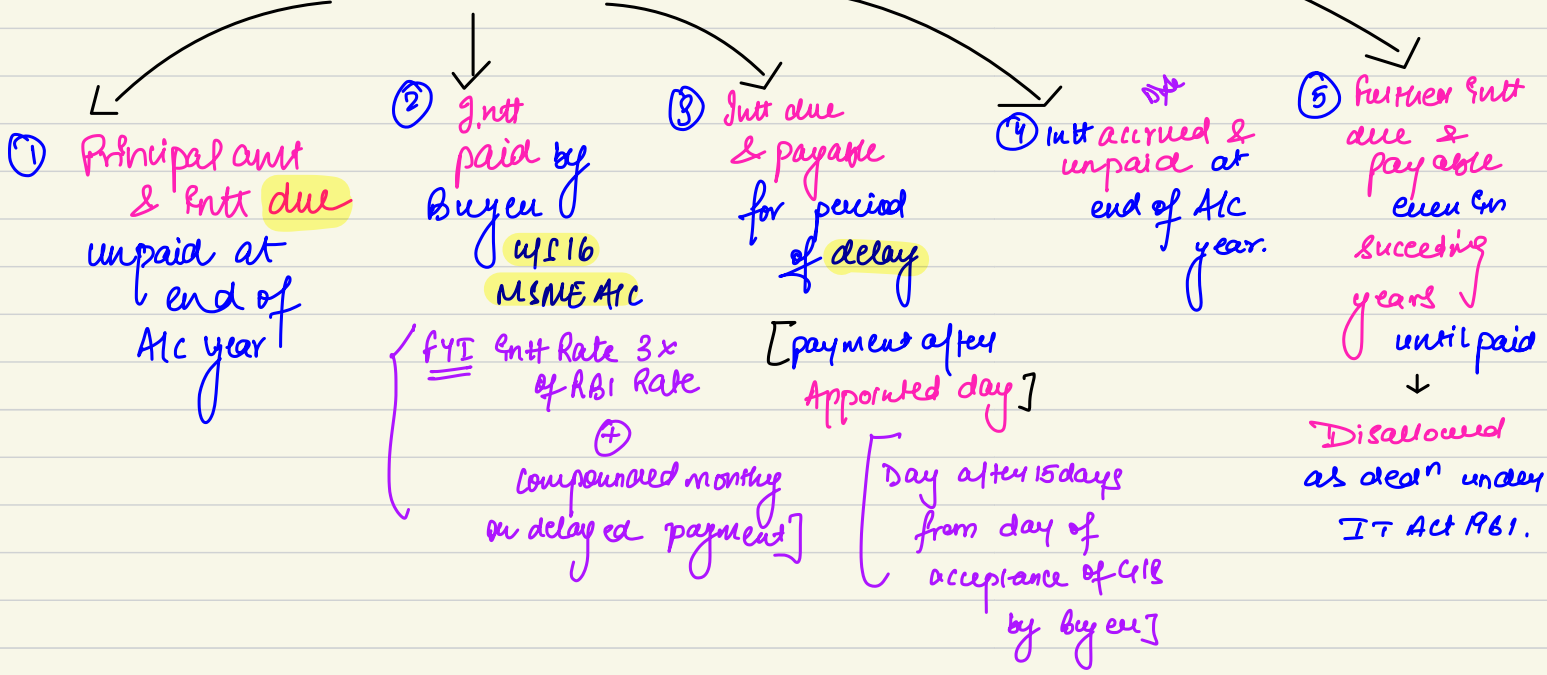
Completeness



Valuation



Micro & small Disclosures



Provision

- ↓
 Liability
- Present obligation (+)
 - Probable outflow of resources (+)
 - Reliable estimate can be made

[Disclose: Nature, timing, (+) outflows, expected reimb.]

Contingent Liab.

- Possible obligation (OR)
- Present obligation
 - NOT Probable
 - OR
 - NOT measure Reliably

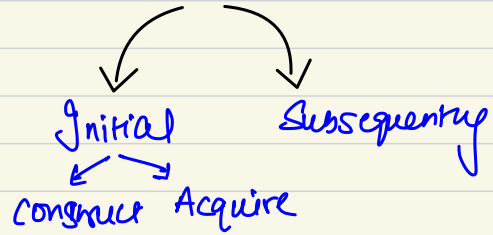
Disclose: Nature, Risking uncertainty, (+) financial effect, possibility reimb.

Audit Pro:

- List (+) Agreements (+) Working Basis
- compare with GL

PPE

Recognition criteria: • **FEB** → probable ⊕ **Cost** → measured Reliably



Elements of Cost

Included

- Purchase Price
 - (+ Import duties
 - + Non refundable Taxes
 - (-) Trade Disc.
 - (-) Rebates]

• Costs **Directly** Attributable

Location & Condition
Intended by mgt

eg Professional DUTIES

- Professional fees
- Delivery & handling costs.
- Testing functioning of Asset
 - (-) Sale Proceeds selling items
- Installation & assembly costs.
- Employee benefits < Construction Acquisition APE
- Pre preparation cost.

Excluded [SAGI]

- Staff training [cost → conduct business (New Location, New customers)]
- Advertisement & promotional Ads. [cost → introduce new PPs]
- General overhead costs
- Inauguration costs [cost → open new facility/business]

Audit Pro.

Existence

Physical verification

- Plan
- seen staff 13rd party
- Periodicity
[Annual or once in 2/3 years]

Appropriate supervision
of performing P.V.

Obtain P.V. Report + worksheets

All items tagged
⊕
carry ID Nos → WIP

Reconcile FAR (Fixed Assets Register) P.V.

Discrepancies → dealt in books?

by Shortage | Asset working condⁿ

Deletion ✓

Depreciation x

Completeness

• Movement in PPE Schedule
(OB + Addⁿ - Deletions = CB)

• check Arithmetical Accuracy of PPE movement

x OB → PY Audited FS.

* Additions

- material Additions → criteria meet as per AS10
- Test Invoice, Install. certificate
↳ verify date of Addⁿ
- Approved by auth. personnel B.
- Internal process
→ Quotations / Tenders

* Deletions

• understand Reason/Rationale & manner of Disposal

- mgt approval process → Quotes
- Accurately recorded deletion & gain/loss.

CA 2020
clause (i)(b)
Para 3

Valuation (-)

Depⁿ → lost to Earn Revenue
↓
lost charge x
↓
PPE incorrect
PPE ↑

Depreciation

- on ALL items unless freehold land
- Method reflects pattern of PPEs
by SLM, WDU, Vol etc.
- (Bada Bhai)
mgt impairment assess.?
[AS-28]

• C.A.
• R.A.

by CA ₹100 [After Depⁿ]
R.A. ₹80 (Benefit)
↳ 20 → ? Imp. loss

Rights

• (Mobile) purchase invoice

• L&S
↓
conveyance/sale deed

⊕

• Immovable Prop.

original title deeds

• Securing for Borrowings
[Confirmation]

⊕

• Register of charges

Dr 1000

PPE ₹1000

Intangible Asset

- Identifiable non-monetary asset
- w/o physical substance
- held for use → Prodⁿ / supply → G/S / Rental / Admin purpose

☞ Externally generated G/W → I/Asset? ☁

☞ Physical I/Assets

- computer software & compact disk
- legal patent & documentation
- film in CD

Treat < Tangible ✗
Intangible ✓ ?

Existence

- I/A → Physical substance ✗ → In ACTIVE USE → P/S/R/A purposes.
- Active Use (x) → Deletion ✓
Amortisation ✗

Completeness

- Movement in I/A schedule [OB + Addⁿ (→ Del = CB)] Books of A/cs
- Arithmetical Accuracy of movement.

Additions

- material additions → criteria as per AS26.
- Exp. on Research → I/A ✗ Expense ✓
- certificate / Report → Date of use → Date of commencement Prodⁿ / econ. use.

I/As.

- Approved by appt. person.
- Entered process → Invite Quotations / Tenders

Deletions

- Understand Reason & Rationale ⊕ manner of disposal.

GCs. < . mgt approval
process followed → Quotes.

- Accurately Recorded deletion of I/A & Gain/Loss.

Valuation

Diminution in value → Cost for earning revenue → Cost charge x

- P&L incorrect
- I/Asset (Higher Amts.)

Audit Pro.

check:

• Amortisation

• on all I/Assets.

• method reflects pattern of F&B consumed

• mgt Impairment Assessment (AS-28) ?

Cash & Cash Equivalents

[Existence & Completeness]

① Surprise Checks

[Spl care + surprise check ✓ → last day of FY ✓ ⊕ After w/o giving notice]

② Cash > 1 Person [£ £ £ £ £]

[Cashier, petty cashier, Branch cashier, imprest balance with employees]

↳ check ALL Simultaneously

③ Cashier Present at time of count

⊕

Sign statement prepared.

④ Rough cash book separately kept

↓
Test entries with cash book to prove entries correct.

⑤ Any slip, chit, or I.O.U. [Temp. adv. to emp.]

↓
if included in cash balance

↓
check if approved by auth. official.

⑥ Cash Sensitivity Analysis

Summary of cash receipts & payments each month
& analyse trends.

⑦ Bank Rec. Statement [V. Imp]

- for ALL A/cs
- understand process & periodicity
- Signed by auth. person.

Verification of BRS [MTP Sep'24]

[Basic] Tally balance ← Bank Book / Bank Conf. / Statement

↓
Check material reconciling items.

↓
Cheque issued
but not presented

↓
Bank st. of
subsequent period
&

verify subseq. cleared?

↓
Stale (> 3 m old)
Take back to liabilities

↓
Cheques deposited
but not credited

↓
Request bank deposit slips

⊕
verify subsequent credit
by bank

↓
Not cleared beyond
reasonable time

Ask mgt Verify R/R
AS 9

↓
Amts/charges debited/
credited by Bank
Not accounted

↓
Take Bank st.

↓
If amt is material

↓
Not Adjust?

✓
Ensure
Adj. done

SA 705

✗
Quality
Report

Direct Conf. Procedures

Co.

Investigate & Reconcile differences

- Contact Banks / FTe & ask to confirm balance of ALL acs.

100% confirmations reqd.

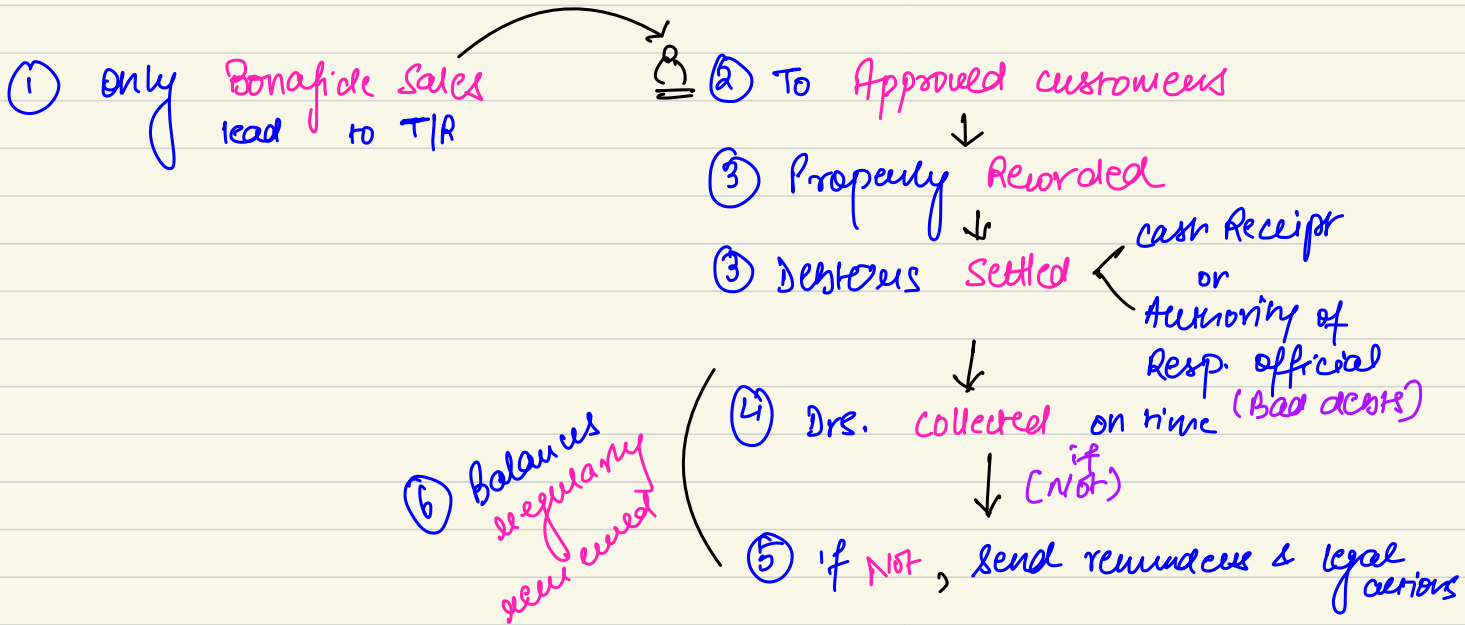
NO Reply

Addⁿ Testing

- Agree balance → Bank St.
- Sending Audit Team member to bank branch with Entity's person to obtain Conf. directly.

Trade Receivables

"TOLC over Sales as part of Debtors' audit procedure".
what to check?



Existence: • Controls → ensure Invoice can't be recorded > once.

Same as TIP

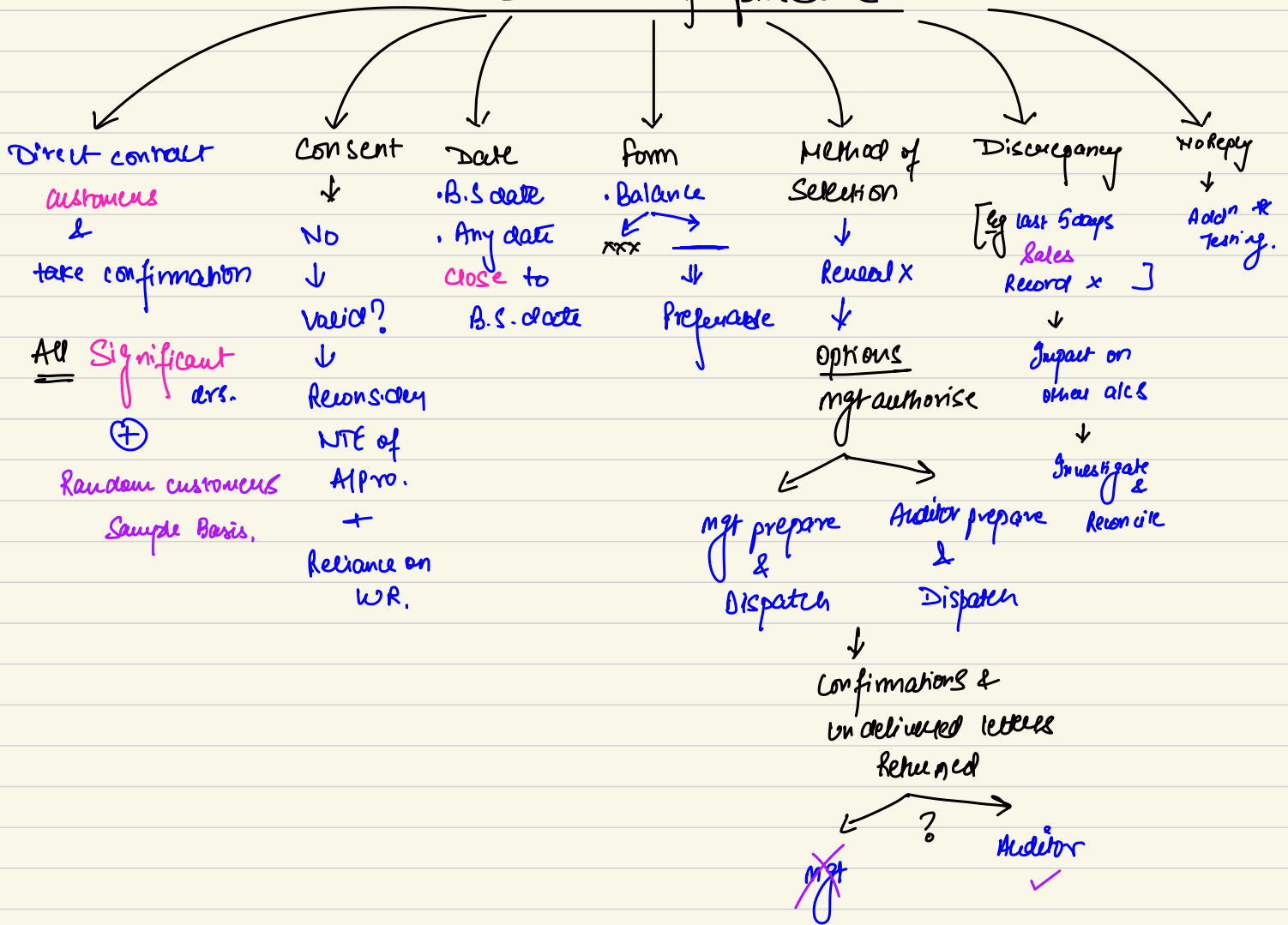
• Drs. Ageing Report → trace Balance to G.L.

• Realisation is recorded invoice wise (NOT money recd.)
Adjusted chronologically invoice wise & A to BANS.

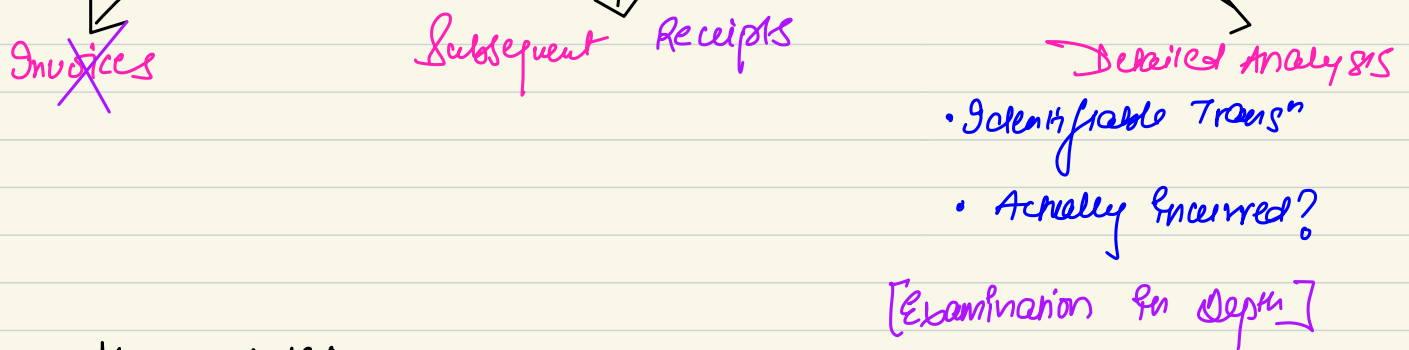
Different

• If large balance due for long → Ask Reasons.

Direct Conf. procedure



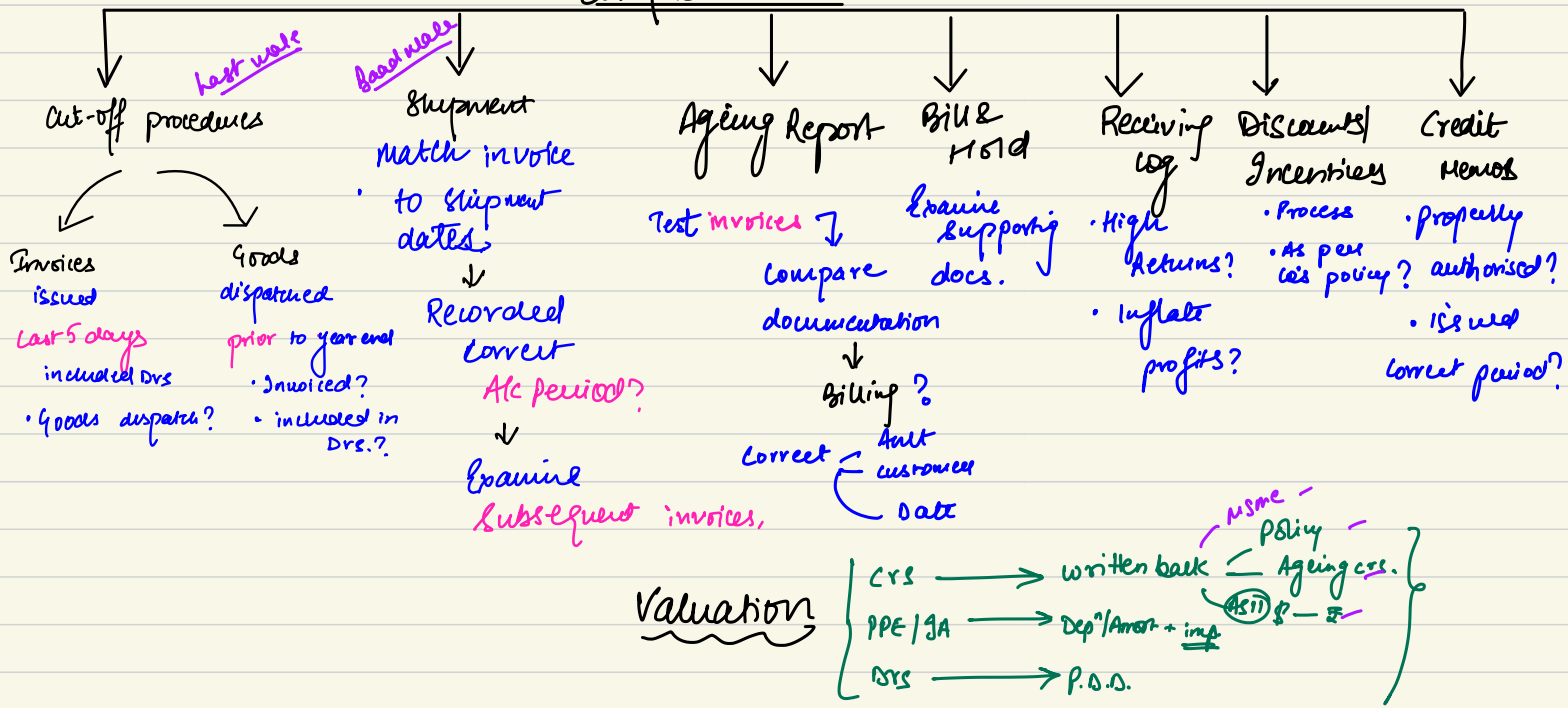
Addn Testing [Alternate Pro.]



Other points:

- If R.P. T/R → Review < $\left\{ \begin{array}{l} \text{collectibility + Authorised} \\ \text{value [A/P]} \end{array} \right.$
- Receivables [sales x] → not included here
- Trend line of sales & crs → unusual trends
↓
An. Procedures + Aug. collection Period.

Completeness



① Process of Co. to derive allowance for doubtful a/c.

- consistency with Py
- method → appropriate?

(Identify Bad Debtors)

② obtain Ageing Report

③ List of Drs under litigation

④ Analyse + identify Drs appear doubtful

+ Discuss Reasons (not included)

% ⑤ check provisions at appropriate Rates

[Other points]

⑥ Prepare Schedule of movement of bad debts.

⑦ write-offs → Approved by appt. authority?

[eg BOB in Co.]

DDO

Loans & Advances & other current Assets

Existence → Direct confirmation [Principal + Int.]

Completeness

- List of all advances & compare with ledger → [Approval]
- Verify loan agreements & acknowledgments of parties. ⊕
Authorized by MOA & AOA
- inspect minutes of BOB.
- Acknowledged by party & inspect security & regularity of instalments.
- R.P. Advances [properly authorized ⊕ value (ALP)]
- GST Input credit
Reasonability wrt purchases/expenses
$$\left\{ \begin{array}{l} \text{purchases (₹)} \times \text{GST Rate \%} = \text{ITC} \\ \underline{\underline{}} \end{array} \right.$$
- Returns filed → verify Books of Acc claim

Valuation (same as Drs)

Inventories

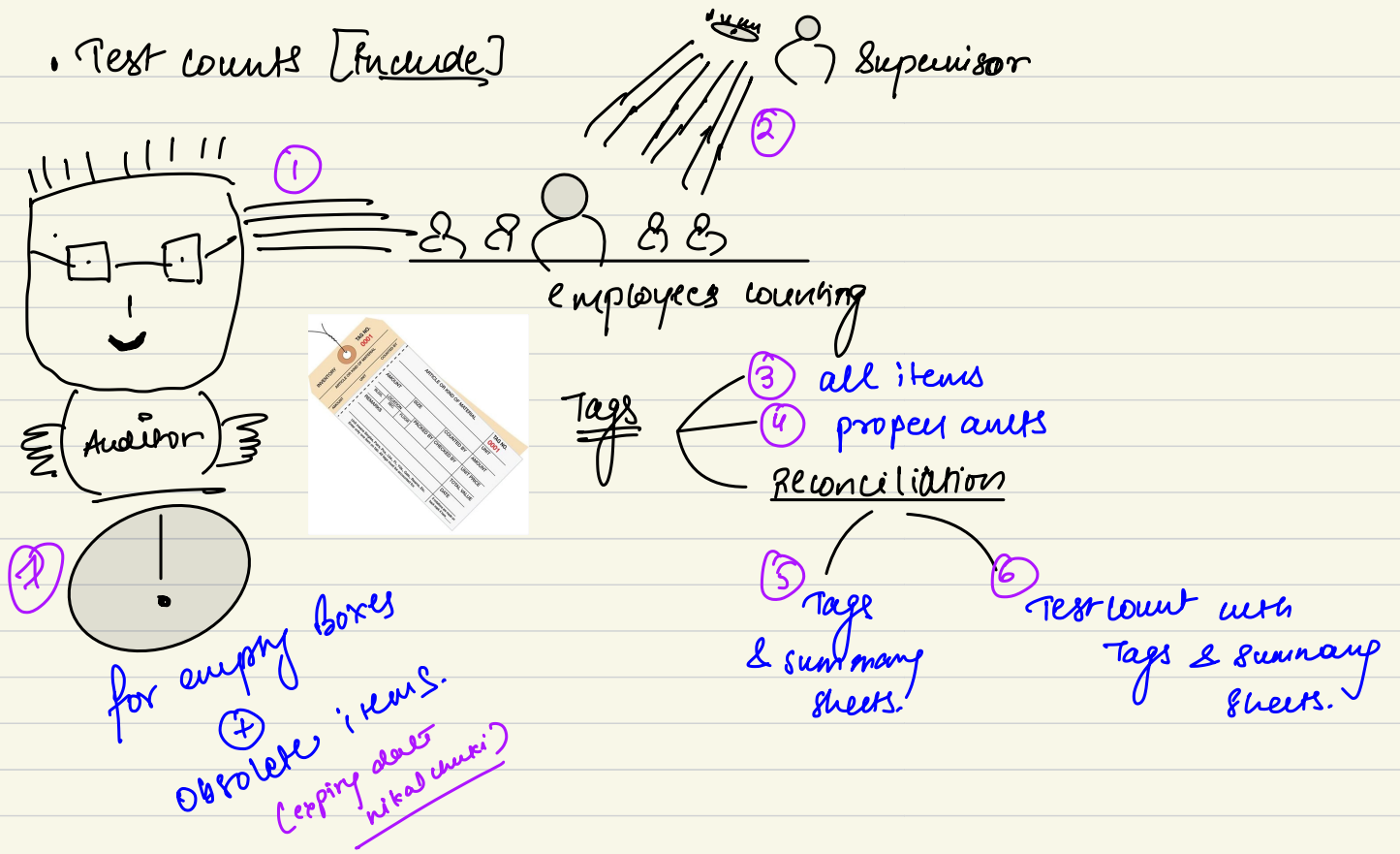
Assets { Held for sale [FG]
process of prodⁿ [WIP]
materials, supplies to be consumed [RM]

Value → Cost or NRV ↓
(just like PAE)

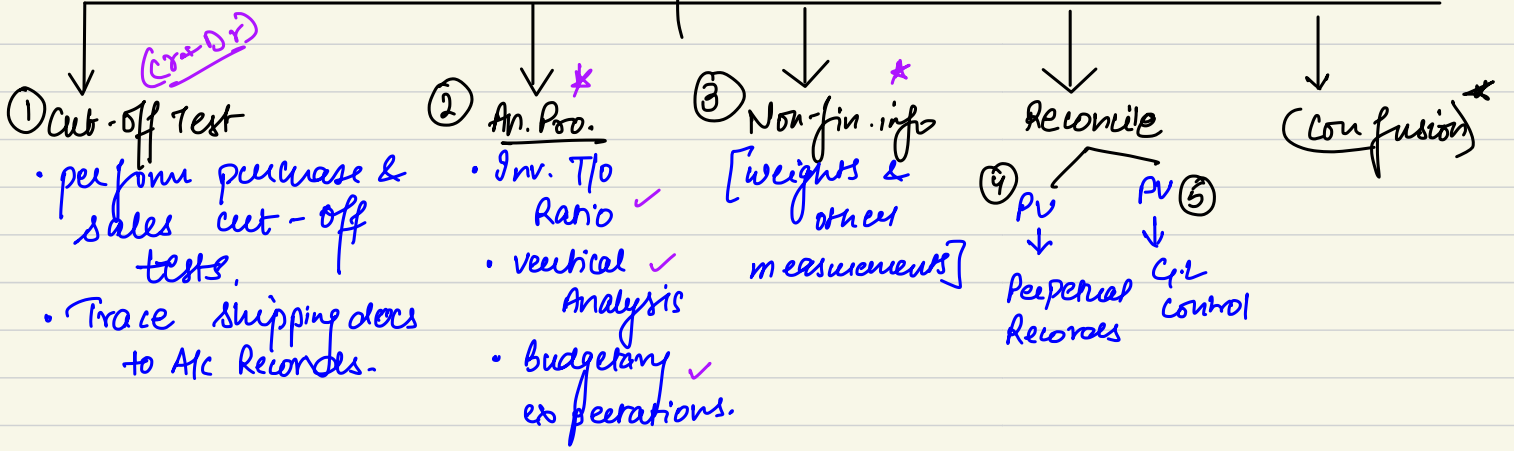
Existence

- Entity's Plan for inventory count.
↓
- Auditor should participate

• Test counts [include]



Completeness



(Confusion) (*) ⑥ Humari unke paas Reconcile client's inv. held by 3rd parties

⑦ Unki humare paas Good held on consignment basis segregated from inventory.

Rights

[Apri]

① Vouch purchases to documentation

[Purchase Requisition → P.O. → Receiving Report → Invoice → payment]

② Examine Invoices for evidence of ownership

+

③ Review material purchase Agreements

[Paray:]

• Evaluate consigned goods.

• Review consignment Agreement.

Valuation

Raw material & Consumables

① Elements of cost included.

[Carriage inwards + non refundable duties]

② Std costs
• Basis?
• compare with actual?
• variances analyse?

③ Invoices

④ Damaged/obsolete
↓
valued at NRV

Work in Progress

• Evaluate work of mgt exp. ect.
How stage of prodⁿ measured

included
o/h
↓
basis?

excluded
Abnormal
wastage

Finished Goods & goods for resale

• costs included?

• established?
• o/h → Normal cost?
• Reasonable

• If $NRV < cost$ → value at NRV

• follow up. for items (Bad) obsolete, damaged, slow moving & realisable value of items.

Others:

• compare recorded cost with replacement cost

• Vendor price lists → to check recorded cost < current prices.

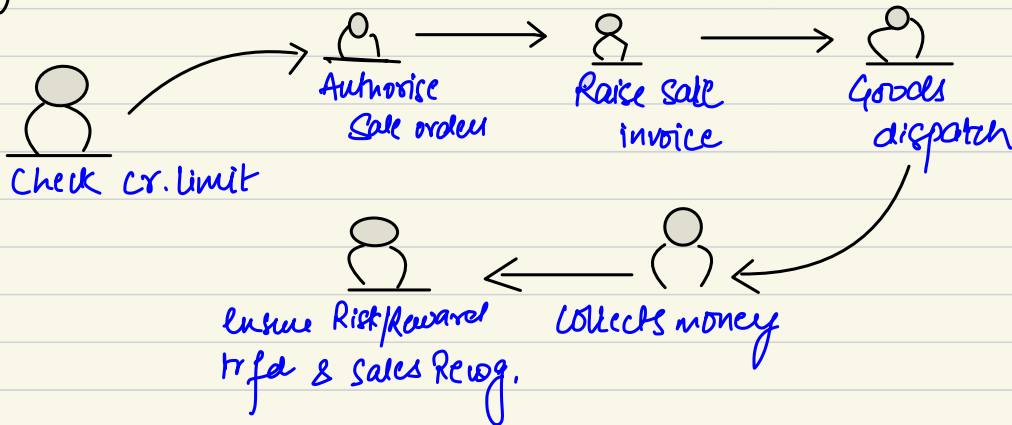
• Calculate Inventory to ratio. If lower → obsolete inventory.

• mfg → o/h allocation rate → DL/Dm/Do included.

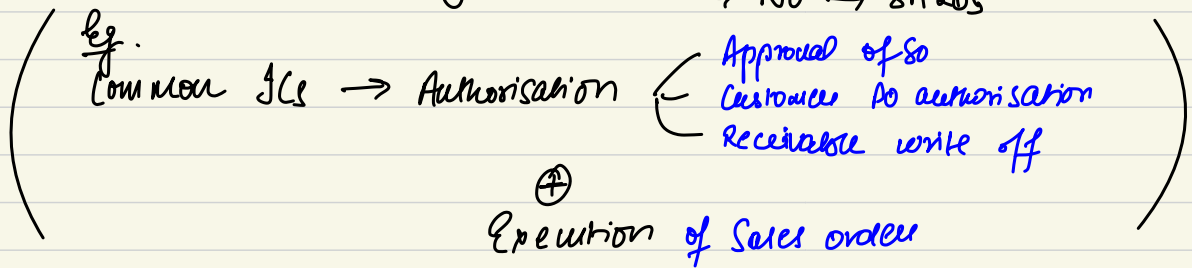
Sale of products & services

1. **Understand IC** of sale process.

eg. Segregation of duties



2. Test controls → Strong & Reliable? → Yes → Substantive Testing ↓
 → No → SA265



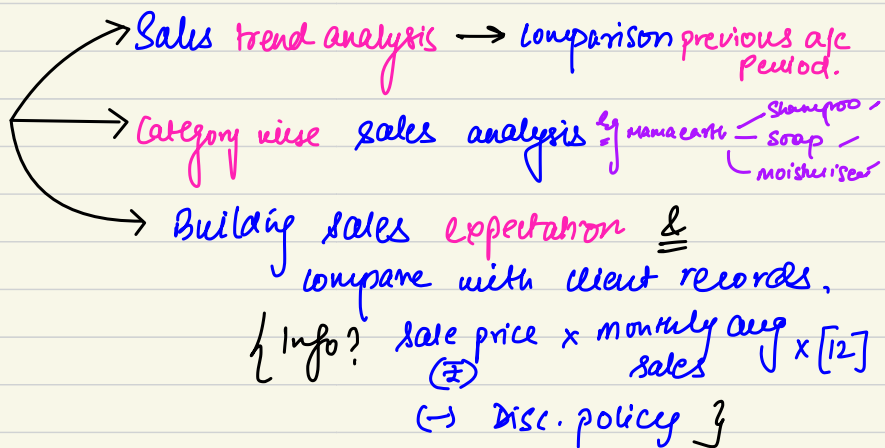
3. How? Select random sample of transⁿ & examine

- PO
- Invoice
- Customer statements

4. Substantive Audit Procedures

↓
Subs. Analytical Pro.

★



Occurrence

~~and~~ fictitious sales x

• Ensure revenue isn't overstated

Invoice

- Not recorded twice
- Test check few invoices → genuine?

Un $\left\{ \begin{array}{l} \text{Unearned revenue recorded} \\ \text{as earned.} \\ \text{Un certainty about collectibility} \end{array} \right.$

Customer

• obtain confirmation

• Any fictitious customers

• shipment without consents

{ Esp. year end to inflate revenue }

Completeness

cut-off

• Perform cut-off procedures

• cut-off errors? → sales recognised

Invoice Date ✓

Risk / Reward ratio x

Sales?

• Shipping Docs.

• Sales Register [Qty + Recd. goods dispatched]

• GST Returns

reconcile with revenue in P&L.

Measurement [Accuracy]

• Examination in depth [Trace transⁿ inception to completion]

eg S.O. → Payment by A/R



[AS]

• Understand clients operations & GAAP issues

eg Point of sale recognition vs. POCM [percentage of completion]

Others

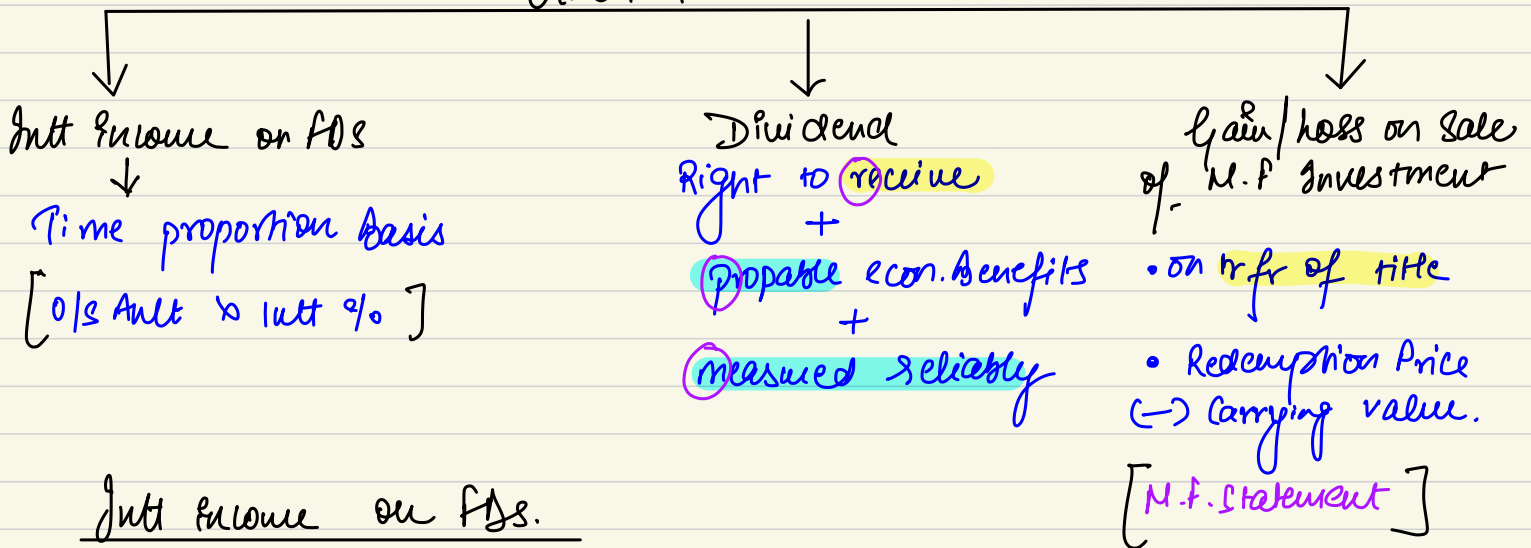
\$

Export sales [AS 11 Compliance]

R.P

• Rate of sales → A/P
• Collectibility

Other Income



Intt Income on FDS.

- ① listing of all FDS opened
 ⊕
 Applicable Intt Rate %
 ⊕
 No. of Days 0/365

- ② Verify arithmetical accuracy of Intt calculation by recomputing.

- Bank {
 ③ Direct confirmation ⊕
 ④ Confirmation of Intt Income
 Tax {
 ⑤ Copy of Form 26AS [TDS Intt. ?]

Other Expenses

Attributes : Occurrence → In relation to entity's business [Personal x]

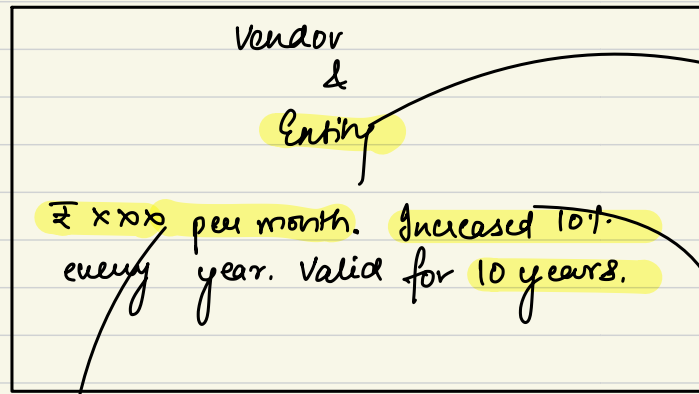
Completeness → Analyse monthly trends

Accuracy → valid supporting docs. [eg travel Hts]

Classification → classified in correct expense head
 → Qualified as revenue not capital exp.

cut-off → pertain to current period

Rent Expense



- month wise expense schedule
- Record for all 12 months

- Escalation clause → Recorded on straight line basis

eg

Y ₁ 100 000	}	Y ₁ = 110 333
Y ₂ 110 000		Y ₂ = 110 333
Y ₃ 121 000		Y ₃ = 110 333

PEL

Power & fuel Expense

- month wise schedule with power bills

- Recorded for all 12 months

- Month wise summary of power units consumed & Rates to check arithmetical accuracy of bill.

Analyse monthly power units consumed by linking to files produced

Legal & professional Expense

[Recurring]

• month wise & consultants wise
summary

↓
• monthly retainerhip Agreement
[Exp. for all 12 months recorded]

[Non-recurring]

• select a sample & vouch.

↓
• Be **cautious**,
It may **highlight dispute**
provision x
Disclosed to auditor x

Travel, R&M, Printing & stationery, misc exp:-

• select a **sample** & vouch.

Analysis

• monthly basis

Eg Travel
Bus

↓
Overall

reasonableness

Eg Exp. p.u. of
prodⁿ

→ Compare with P4/
Industry trends.
&
as k reasons for
variations

Purchases

Obtain clear understanding. [kya lete hain?] Type of products/services

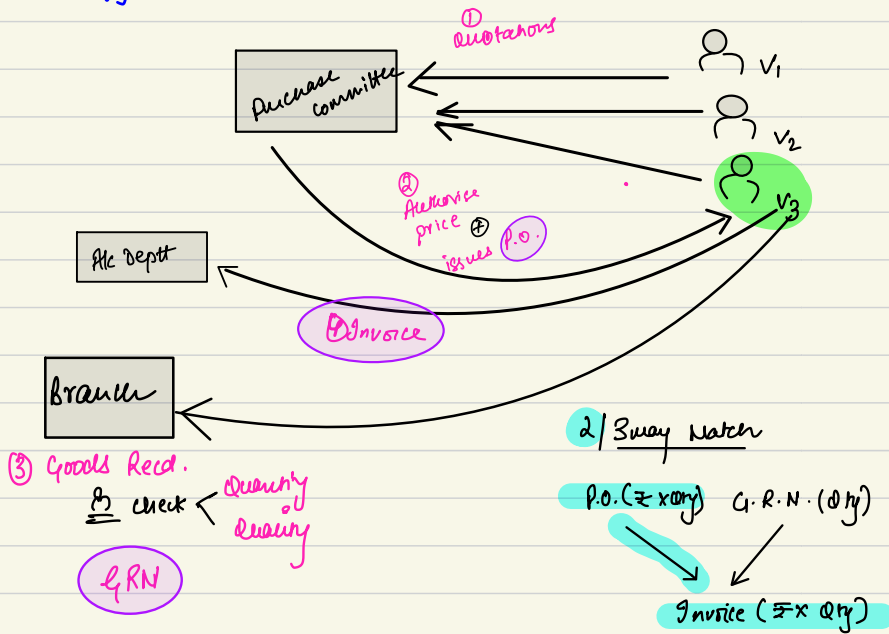
• [kaha se lete hain?] Sources of procurement:
Domestic / Overseas.

• [kit jata hai?] General availability

• [kisse lete hain?] major vendors

• [Kab payment?] payment terms + cr. period
(credit/cash)

1 Identify control over purchases



2 Test controls → Effective? → Yes → Subs. Testing ↓

- Key
- Inviting quotations
 - P.O.s [numbered, authorised]
 - G.R.N.
 - Quality inspection
 - 2/3 way match
 - Authorise Invoice
 - Recognise purchase

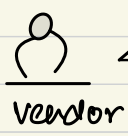
3. Select random sample. Examine docs. [PO, GRN, Inv, vendor statements]

4. Substantive Audit Pro. → Subs. An. Pro.

- Trend analysis → compare previous A/c period
- category wise analysis
- setting purchase expectation [purchase price to purchase Qty]

Occurrence [NOT under/overstated]

• Stock Record updated



• Any fictitious vendor purchase booked
↓
Review vendor selection process

Invoice

A/c Dept

• Invoice approved + 3/2 way match done

goods

Branch

• Goods recd. at factory gate & entry gate inward register

• Goods Receipt Note [GRN] prepared
• Querying inspection was done

Special considerations

Invoice

- Original copy
- Booked Only once Risk/Reward to fel to entry. Spl Jour → FOA/CIA.
- In name of entry. Branches → name of branch ledger. Obtain tax returns.

URI

- Review JEs for Unusual trans.
- for purchases from RPCs
 - Approval boss
 - ACP
- JTC should be booked in Input tax

Completeness & Measurement

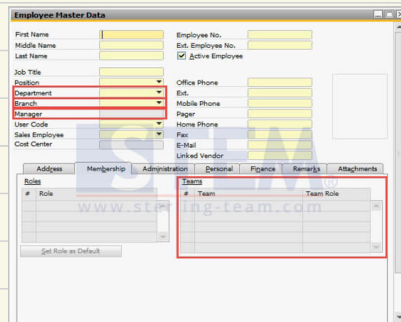
- Perform cut-off tests to ensure purchases recorded in correct A/c period.
 - Examine: Last 5 material inward transⁿ at period end.
- (Raaste mein Hai)
 - Goods in Transit
 - Correct A/c treatment as per agreed terms with vendor
- W.R.
 - all purchases recorded.
- Analytical Procedures
 - Consumption analysis: R.M. consumed (Mfg A/c) + compare P.Y.
 - Stock composition analysis: RM / closing stock % + compare with P.Y.
 - Ratios: Creditor to Ratio & Stock to Ratio.
 - Quantitative Reconciliation
 - [opening stock + purchases - consumption = closing stock.]

Employee Benefit Expenses

- Understand
- organisation
 - Hiring
 - Appraisal
 - Retirement
- } process

- Test Controls → employee benefit payment process. → Effective? **Yes**
 - ↓
 - Substantive testing ↓

- eg
- Attendance Records
 - Employee master
 - Authorisation + approval of payroll disbursement
 - Employee deductions [payroll tax, gratuity, etc]



- Select random sample & examine
 - Appointment letter
 - Appraisal letter
 - Attendance records
 - Employee master
 } ⊕ HR policies
 - bonus
 - gratuity
 - leave encash
- Substantive audit procedure. Subs. An. Pro.
 - monthly expense reasonability
 - compare with prev. A/c period.

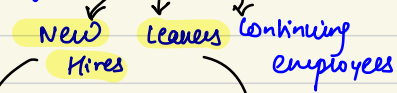
Audit Procedures (Occurrence, Completeness & Measurement)

[Occurrence]

- ① Understand entity's process of employee attendance. Risk of fictitious employees. Auditor can meet employees in person sample basis.

[Completeness]

- ② obtain list of employees at period end with monthly split



- ③ for sample → obtain Appointment Letter & verify salary processed.

- ④ for sample → obtain [F&F] full & final computation + dues [Gratuity, leave encash] paid + emp. acknowledge.

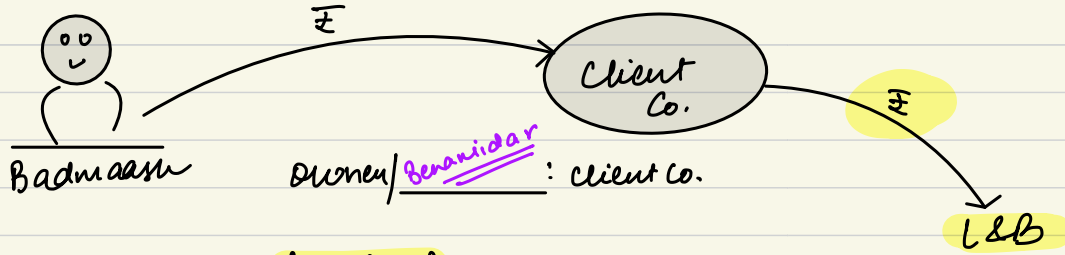
- ⑤ obtain monthly salary register for 12 months. Compare monthly payroll reasonability.

Calculate: Avg. salary per employee p.m & compare previous ^{year} months &

- Analyse variances
- Annual increments
 - Sr. emp. (joining/leaving)
 - Bonus payout etc)

- ⑥ Accrual / provision for all emp. benefits [bonus, gratuity etc]

Details of Benami Property



Beneficial owner: Badmaash

Books? Client Co.

Disclose?

Benami Transⁿ (prohibition) Act 1988 proceedings

Nature, status, Co's views

Struck off Cos.? Registrar removes name of co. from Register of Cos.

when?

No business within 1 year of incorporation

or

No business in last 2 years + Not applied for dormant Co. status.

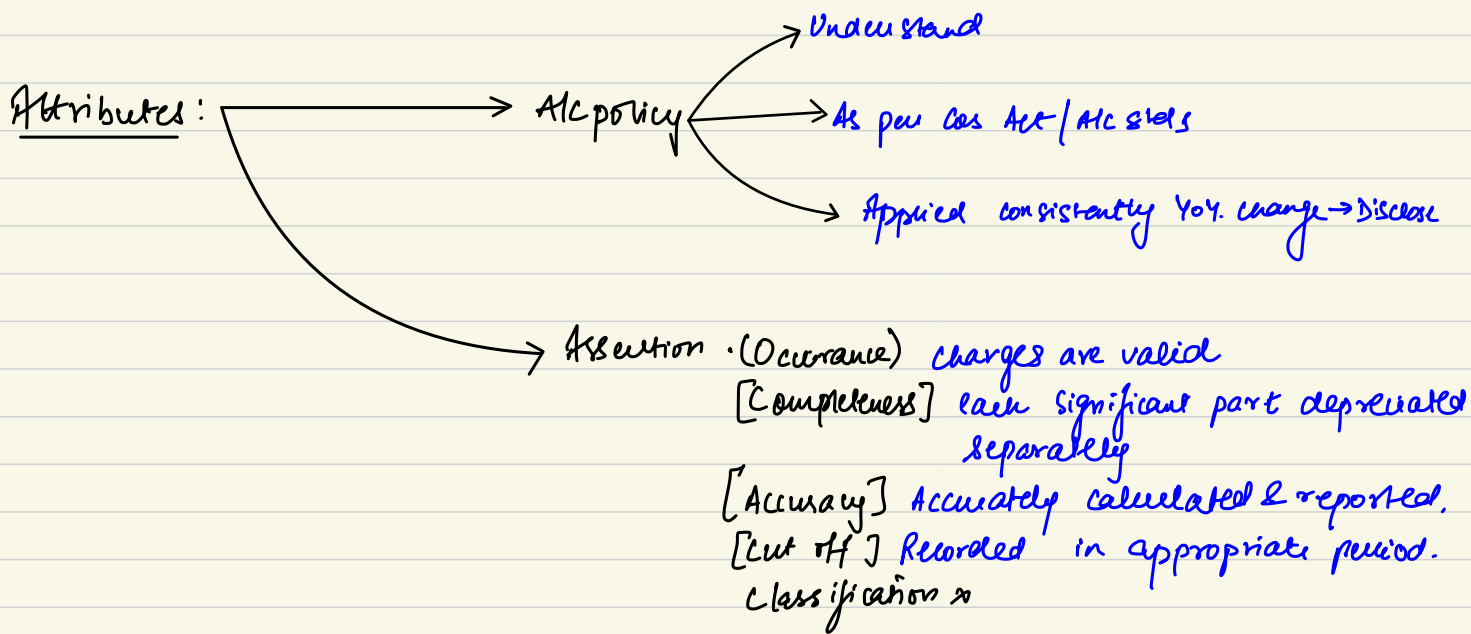
vi) Financial Ratios:

Ratio	Numerator	Denominator	31st March, 2024	31st March, 2023
Current Ratio (in times)	Current Assets	Current Liabilities	2.91	2.84
Return on Equity Ratio (in %)	Profit for the year (before exceptional items)	Average Shareholder's Equity	29.22	28.99
Inventory Turnover Ratio (in times)	Gross Revenue from sale of products and services	Average Inventory	5.98	6.75
Trade Receivables Turnover Ratio (in times)	Gross Revenue from sale of products and services	Average Trade Receivables	24.66	32.51
Trade Payables Turnover Ratio (in times)	COGS + Other Expenses – Non Cash Expenditure	Average Trade Payables	8.39	8.99
Net Capital Turnover Ratio (in times)	Gross Revenue from sale of products and services	Working Capital (Current Assets – Current Liabilities)	2.94	3.05
Net Profit Ratio (in %)	Profit for the year (before exceptional items)	Gross Revenue from sale of products and services	29.42	26.91
Return on Capital Employed (in %)	Profit before exceptional items, interest and taxes	Average Capital Employed	37.97	38.72
Return on Investment (in %)*	Income from investment	Time weighted average Investment	8.91	6.79

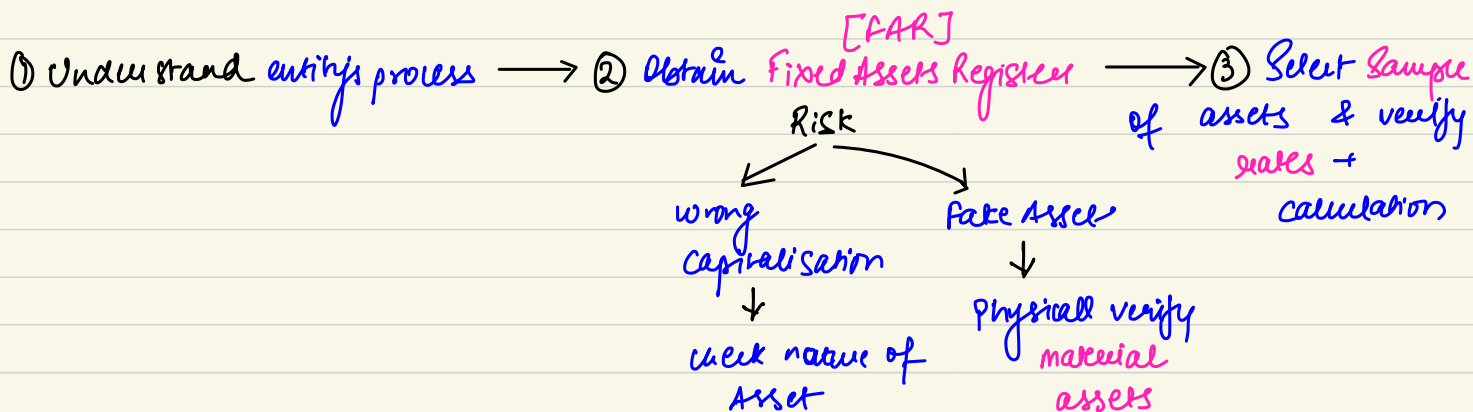
Debt-Equity Ratio and Debt Service Coverage Ratio are not relevant for the Company as it has negligible debt.

* Improvement mainly on account of higher portfolio yields and dividend received during the year.

Depreciation



Audit Procedures



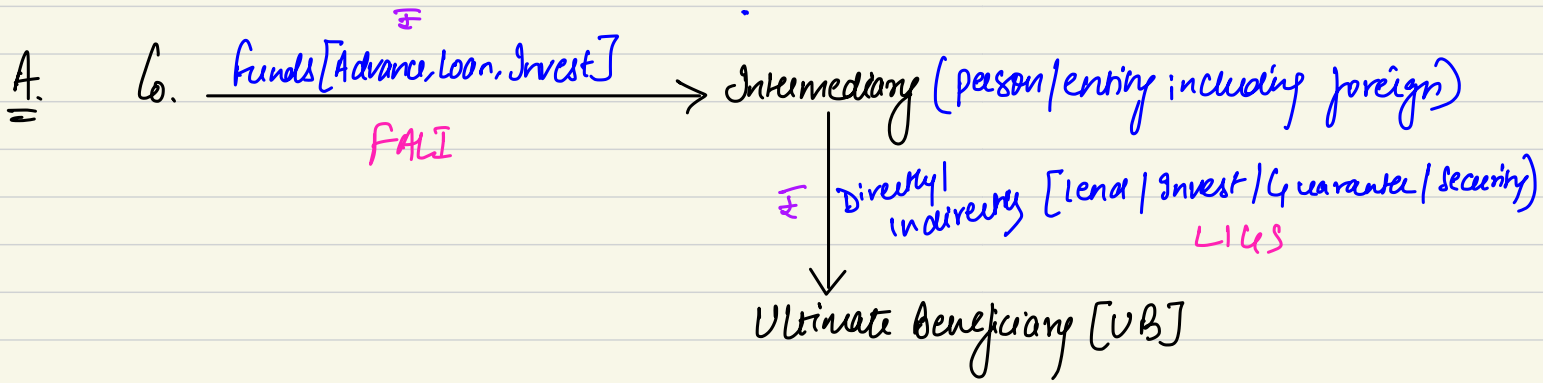
S.No.	Asset Name [components]	fixed Assets Register Date available for use ④	w/d/v	⑤ useful life + ⑥ change	⑦ Residual value	Dep'n Rate

⑧ Re-computation → Analytical procedure

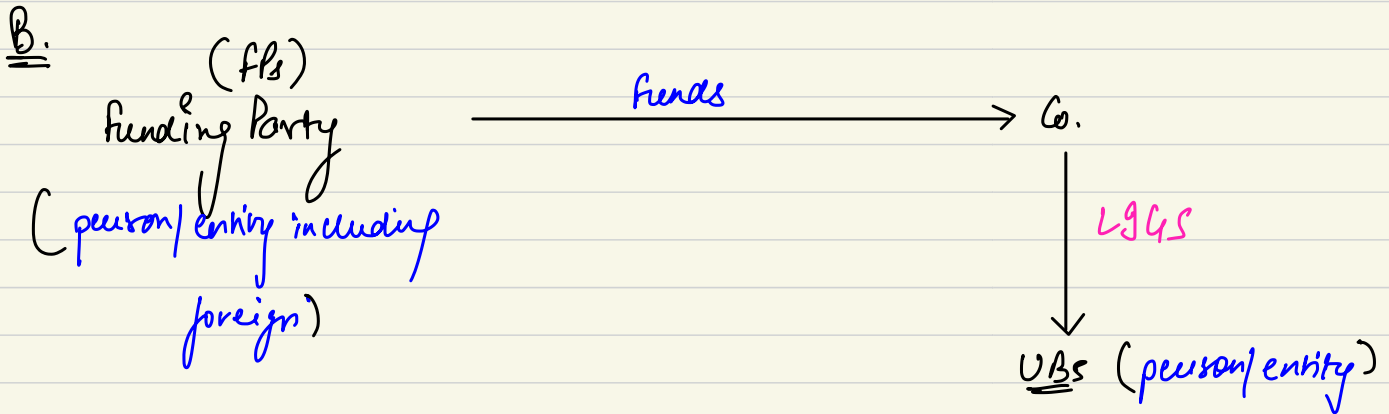
$\frac{\sum ToDs}{\sum ToDs} \times 100$ (An. Pro.)

✓
✓
✓

Utilisation of Borrowed funds / Share premium



- Disclose?
- Date & Amt of FAI in Intermediaries with details of Intermediaries
 - Date & Amt of LICs by I → UBs
 - Declaration of compliance with $\left\{ \begin{array}{l} \text{FEMA 1999} \\ \text{Cos Act} \end{array} \right.$ & not violated PMLA 2002.



- Disclose:
- Date & amt of funds recd with details of FPs
 - Date & amt of LICs to UBs.
 - Declaration of compliance $\left\{ \begin{array}{l} \text{FEMA 1999} \\ \text{Cos Act} \end{array} \right.$ & not violated PMLA 2002.

