

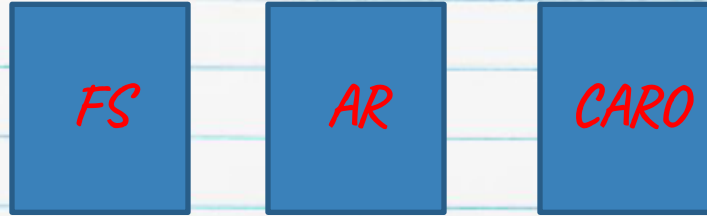
CARO

---

2020

---

## CARO 2020



1. **Applicability:** All companies including foreign companies

2. **Excluded:**  (BIPS)

B- Banking Co

I- Insurance Co


P- Pvt Ltd Co

→ PUSC + Res  $\leq$  1crore **AND**

→ Loan  $\leq$  1crore **AND**

→ Revenue  $\leq$  10crore

S - Sec 8 co, small co, one person co

3. Status of the co shall be checked on the balance sheet date, however for borrowings it should be checked during the year
4. If applicable to holding co, it shall also apply to subsidiary.
5. The order shall not apply for Consolidated FS except in clause (xxi)  
The auditor's report of holding company shall also be an indicative of the companies included in the consolidated FS whose CARO reports contain qualifications/adverse remarks 

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

As an auditor, how would you deal with the following: L Pvt. Ltd. Which has an outstanding loan of more than Rs. 100 lakhs from financial institution defaulted in repayment thereof to the extent of 50%. The company holds that it being a private limited company, the Companies Auditor Report Order (CARO) is not applicable.

### Answer:

Contention of L Pvt. Ltd is not correct as borrowing from financial institution exceeds Rs. 1 Cr., and auditor is required to report the period and amount of default in repayment of dues under Para 3 (viii) of CARO 2020.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

A Pvt. Ltd. Company reports the following position as on 31<sup>st</sup> March 2019:

- Paid up capital: 60 Lacs
- Revaluation reserves: 20 Lacs
- Capital Reserves: 22 Lacs
- P & LA / C (Dr. balance): 4 Lacs

The management of the company contends that CARO, 2020 is not applicable to it.

### Answer:

CARO is not applicable as paid up capital and reserves does not exceed Rs. 1 Cr. (60 Lacs + 20 Lacs + 22 Lacs - 4 Lacs).

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

Under CARO 2020, how as a statutory auditor would you comment on the following: X Pvt. Ltd. Is a subsidiary of a listed entity. The management of the company believes that since X Pvt. Ltd. is a private company and satisfies all condition under CARO 2020, reporting under CARO is not applicable.

### Answer:

CARO is applicable as extension is not available to a private company which is a subsidiary or holding of a public company.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

E-Tech Pvt. Ltd., which has an aggregate outstanding loan of 20 lakhs from Banks and 30 lakhs from Financial Institutions, defaulted in repayment thereof to the extent of 50%. The company holds that it being a private limited company, the Companies (Auditor's Report) Order, 2020 is not applicable.

### Answer:

CARO, 2020 will not be applicable on it as outstanding loan from banks and financial institution in aggregate does not exceeds 1 Cr.

## (i) PROPERTY, PLANT, EQUIPMENT & INTANGIBLE ASSET

Quantitative details maintained

Physical verification conducted at regular intervals

Deeds of immovable property in names of co **if not**, report in **prescribed format**

Revalued its P, P, E & IA **Proceedings initiated or pending for holding**

Of property, plant & equipment and **intangible assets**

Discrepancy Are dealt with

- Description of property
- Gross carrying value
- Held in name of Promoter, director or their relative or employee
- Period held-indicate range, where appropriate
- Reasons for not being held in name of co

Revaluation based on valuation by **registered valuer**

Amount if change  $\geq 10\%$

**benami property** Disclosed in FS



## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

XLtd. closed its manufacturing operations and sold all its property, plant and equipment relating to manufacturing operations during the current financial year. However, it intends continue its operations as a trading company. In respect of other fixed assets, the company carried out a physical verification as at the end of current financial year and found a material discrepancy to the tune of 1 lac, which was written off and is disclosed separately in the profit and loss account. Kindly incorporate the above in your audit report.

### Answer:

The property, plant and equipment have been physically verified by the management at reasonable intervals; material discrepancies were noticed on such verification and the same have been properly dealt with in the books of account.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

Under CARO, 2020, as a statutory auditor, how would you report: NSP Limited has its factory building, appearing as property, plant and equipment in its financial statements in the name of one of its director who was overlooking the manufacturing activities.

### Answer:

report under Clause (1)(c) of Para 3 of the CARO, 2020.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

ABC Ltd. owns a piece of Land and Building situated at IP road, Mumbai which was purchased before 30 years. The title deeds for the same are deposited with State Bank of India for obtaining credit facilities by the company.

As the statutory auditor of the company, what are the audit procedures to be followed and what is the reporting under CARO, 2020

### Answer:

report under Clause (1)(c) of Para 3 of the CARO, 2020.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

The Property, Plant and Equipment of Amir Ltd. included ₹ 25.75 crores of earth removing machines of out-dated technology which had been retired from active use and had been kept for disposal after knock down. These assets appeared at residual value and had been last inspected ten years back. As an Auditor, what may be your reporting concern in view of CARO, 2020 on matters specified above?

### Answer:

report under Clause (1)(b) of Para 3 of the CARO, 2020

## (ii) INVENTORY

Physical verification



Discrepancy  $\geq 10\%$  



Discrepancy  
Are dealt  
with

Sanctioned working Capital limits  
> 5 crores in aggregate, from banks  
or financial institutions 



Whether quarterly returns or  
statements are filed



Are in agreement with books of  
accounts

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

As the statutory auditor of B Ltd. to whom CARO, 2020 is applicable, how would you report in the following situations: Physical verification of only 50% (in value) of items of inventory has been conducted by the company. The balance 50% will be conducted in next year due to lack of time and resources.

### Answer:

Procedure of physical verification followed by management is not reasonable and hence the auditor should point out the inadequacies in physical verification procedures, under Para 3(ii) of CARO, 2020.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

Mr. Arjun was appointed as the engagement partner on behalf of Bhism & Co., a Chartered Accountant Firm, for conducting statutory audit assignment of Sinwar Ltd., unlisted public company. Mr. Brijesh, one of the senior engagement team members, was given the responsibility to audit the matters as per the requirements of CARO, 2020 and in that connection, he made the following observations, that may be relevant for reporting as per the said Order:

- One of the Plant and Equipment taken on a lease ('right of use' asset) by Sinwar Ltd. was revalued based on the valuation by a registered valuer and the net carrying value of Plant and Equipment in aggregate was changed from 4 crore to 4.45 crore.
- During the year under consideration, cash credit limit of 5.5 crore was sanctioned to Sinwar Ltd. by DMC Bank based on the security of current assets which was reduced to 4.5 crore after 6 months. In this connection, quarterly returns have been filed by the company with the DMC bank which are in agreement with Books of Account.

You are required to examine the contention of Mr. Brijesh regarding reporting of the above observations in accordance with CARO, 2020



### Answer:

Auditor is required to report the amount of change of 45 lakh in accordance with Clause (1)(d) of Para 3 of CARO, 2020. (ii) Reporting required under Clause (ii)(b) of Para 3.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

Jam Private Limited was engaged in business of manufacture of Cycles. CA Roy was appointed as a Statutory Auditor of the Company for the financial year 2021-22. During the year under audit, Jam Private Limited obtained working capital facilities from ABC Bank Limited for 10 crore hypothecating the Stock of goods as primary security. On inquiry CA Roy was informed by management that stock statements are furnished periodically to ABC Bank Limited and the details of submission of quarterly stock statement are as follows:

Period of Qtr	Stock value as per books	Stock value as per statement submitted to ABC Bank
Q1	11.5	14
Q2	14.75	17
Q3	11.5	14
Q4	15.25	15.25


The management of Jam Private Limited did not disclose the above variations in Notes to accounts forming part of financial Statements of the Company for the year 2021-22. The management replied that there are no variations as on the Balance sheet date and further they are of the view that stock statement furnished to bank is only a formality and computed arbitrarily only for the purpose of securing higher drawing power and hence statutory auditors need not be bothered. Is the contention of the management valid? As a Statutory Auditor how CA Roy should deal and discuss the disclosure/reporting requirements if any, as per the Companies Act, 2013 and CARO,

**Answer:**

The variations need to be disclosed in the notes to accounts and also reported under CARO 2020.

(iii) Investments, Guarantee, Security & loans granted by co

a. Whether co has provided loans, guarantee or provided security to any other entity.

(NA to co. whose principal business is to give loans) 

b. T&C are not prejudicial To interest of the company


c. Repayment of Interest & principal is regular


Aggregate amount given to subsidiaries, joint ventures & associates

Aggregate amount given to other parties

(iii) Investments, Guarantee, Security & loans granted by co

d. If overdue > 90 day  
any steps for recovery  
taken

e. Loans & advances has fallen  
due during the year has been  
renewed or extended or fresh  
loans granted to settle the  
overdues of existing loan 

f. If loans or advances  
granted in nature of  
loans either repayable  
on demand or without  
specifying terms or  
period of repayment 

Specify the aggregate amount

Specify the aggregate  
amount

% of the aggregate to total  
loans or advances (NA to co.  
whose principal business is to  
give loans)

% of total loans to loans to  
promoter & related parties

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

In the course of audit of Y Ltd., as the auditor of the company you observe the following: The company has advanced a loan to a firm in which a director was interested at a rate lower than the prevailing market rate as well as there was no agreement on terms of repayment. How auditor will report in CARO, 2020?

### Answer:

Reporting required under Para 3(iii) of CARO, 2020. Auditor should also ensure compliance of disclosure requirements of AS 18 and perform procedures as prescribed under SA 550.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

H Ltd. granted unsecured loan of 1 crore @ 15% p.a. to two of its subsidiaries during the current financial year. Before the year end both the companies repaid the loan. The management of H Ltd. is of the opinion that since no balance is outstanding as at the end of financial year, these loans are not required to be reported in CARO, 2020. Comment and draft a suitable report.

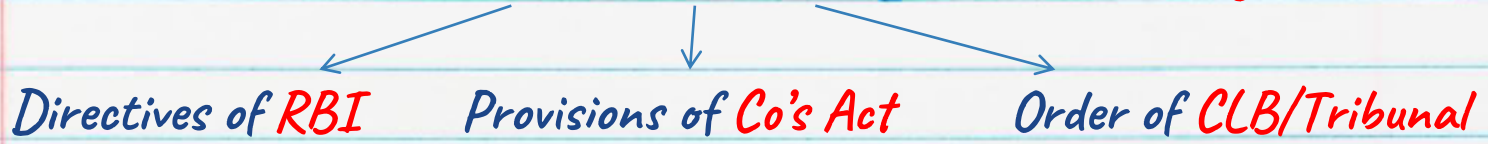
### Answer:

Draft Report: "The Company has granted loan of 1 Crore @ 15% p.a. to 2 of its subsidiaries during the current Financial Year. The maximum amount involved during the year was 1 crore and the year-end balance of such loans was Nil"



(iv) Compliance of sec 185 & 186

(v) PUBLIC DEPOSIT (Including Deemed deposits) 



(vi) Cost records maintained as per sec 148

(vii) STATUTORY DUES (including GST)



If O/S > 6m then report

Always report amount & authority

(viii) Disclosure of transactions not recorded 



Whether any transactions **not recorded** in books have been **surrendered or disclosed as income** during tax assessments under income tax act, 1961



If so, whether the previously unrecorded income has been properly **recorded in the books of accounts** during the year

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

As a company auditor you noticed that there is an inter-corporate loan granted by the company . State the reporting requirements.

### Answer:

Reporting required under Para 3 (iii) &(iv) of CARO, 2020.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

During the course of the audit of M/S CT Ltd, it has noticed that Rs. 2 lakh of employee contribution and Rs. 9.5 Lakh of employer contribution towards ESIC have been accounted in the books in the respective heads. Whereas it is found that only Rs. 4 lakh have been deposited with the ESIC dept during the year. The Finance Manager informed that auditor that due to financial crunch they have not deposited the amount due, but will deposit the amount overdue along with interest as and when financial improves. Comment as a statutory auditor.

### Answer:

Reporting required under Para 3(vii)(a) of CARO, 2020.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

Is the company regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Value added Tax, Cess and any other statutory dues with the appropriate authorities and if not, the extent of arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable shall be indicated by the auditor.

### Answer:

Reporting required under Para 3(vii)(a) of CARO, 2020.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

Big and Small Ltd. received a show cause notice from GST department intending to levy a demand of 25 lakhs in December 2022. The company replied to the above notice in January 2023 contending that it is not liable for the levy. No further action was initiated by the GST department upto the finalization of the audit for the year ended on 31st March, 2023. As the auditor of the company, what is your role in this?

### Answer:

Reporting required under Para 3(vii) of CARO, 2020.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

As an auditor, how will you report under CARO in each of the following situation:

1. Since more than seven months, payment of electricity bills to company established under statute is outstanding.
2. The company had imported goods 5 years back and were placed in bonded warehouse till the end of financial year under Audit. The company has not paid import duty as goods have not been removed from such warehouse. The company has also not paid rent and interest expenditure payable on the amount of customs duty.

3. The company has received income tax assessment order along with demand notice from Assessing Officer. The company has not paid dues payable as the same is not acceptable to the company. The company has neither preferred appeal against the order nor an application for rectification of mistake has been made. The company has just merely represented to the Assessing Officer.

4. The company in view of voluminous pay-roll data consistently follows the method of making lump sum deposit of estimated amount of ESI collections and adjust the excess or deficit against next following months' deposit and the difference of the said amount always remains insignificant.



### Answer:

1. Reporting not required as dues has arisen on account of contract of supply of goods or services between the parties
2. Reporting not required for customs duty as it is not yet due; Interest and rent that are required to be incurred u/s 61 of the Customs Act, 1962 would come under other statutory dues and the auditor would have to examine and comment upon the regularity of the company in depositing such interest and rent.
3. Auditor is required to check whether time limit for filing the appeal or application for rectification of mistake has expired or not and report accordingly.
4. Reporting not required

## (ix) Default in repayment of loans or other borrowings

34

a. If default in repayment to any lender

If yes, report the period and amount of default as per prescribed format

- ✓ Nature of borrowing, including debt securities
- ✓ Name of lender
- ✓ Amount not paid on due date
- ✓ Whether principal or interest
- ✓ No. of days delay or unpaid
- ✓ Remarks, if any

b. Whether the company is declared **willful defaulter** by any bank or financial institute or other lender

c. Whether term loans were applied for which the loans were obtained

If not, the amount of loan so diverted and the purpose for which it is used.

## (ix) Default in repayment of loans or other borrowings

35

d. Whether funds raised on **short term** basis have been **utilized for long term** purpose

↓  
If yes, the **nature and amount** to be indicated

e. Whether the funds are used to meet obligations of its **subsidiaries, associates or joint ventures**

↓  
If so, details thereof with **nature** of such transactions and the **amount** in each case.

f. Whether the company has raised loans on the **pledge of securities** held in its subsidiaries, joint ventures or associate companies

↓  
If so, give **details** thereof and also **report default** if any

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

R Ltd. as on 31st March 2023 defaulted in the repayment of interest and principal due to a financial institution. The due date was 28th Feb. 2023. However, the defaulted amount was paid on 5th April 2023. The company's management is of the opinion that since the default is set right before the audit completion these need not be reported in CARO, 2020. Comment & draft a suitable report.

### Answer:

Draft Report: "The company has defaulted in repayment of principal and interest to the financial institution amounted to ....., that become due on XX. Also the period of default is xx days".

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

Under CARO how, as a statutory auditor how would you comment on the following: A Term Loan was obtained from a bank for 75 lakhs for acquiring R&D equipment, out of which 12 lakhs were used to buy a car for use of the concerned director, who was overlooking the R&D activities.

### Answer:

As per requirement of Para 3(ix) of CARO, 2020, auditor is required to report the fact that out of the term loan obtained for R & D equipment, 12 Lacs was not utilized for the purpose of acquiring the R & D equipment.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

As a Statutory Auditor, how would you deal with the following: LM Ltd. had obtained a Term Loan of 300 lakhs from a bank for the construction of a factory. Since there was a delay in the construction activities, the said funds were temporarily invested in short-term deposits.

### Answer:

Auditor is required to report the fact that the pending utilisation of term loan, the funds are temporarily invested in short term deposits, in his audit report as per requirement of Para 3(ix) of CARO

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

During the financial year ended on 31.03.2023, LM Private Limited had borrowed from a Nationalized Bank, a term loan of 120 lakhs consisting of 100 lakhs for purchase of a machinery for the new plant and 20 lakhs for erection expenses. As on the date of 31st March 2023, the total of capital and free reserves of the Company was 50 lakhs and turnover for the year 2022-23 was 750 lakhs. The Bank paid \* 100 lakhs to the vendor of the Company for the supply of machinery on 31.12.2022. The machinery had reached the yard of the Company. On 28.02.2023, the Company had drawn the balance of loan viz. \* 20 lakhs to the credit of its current account maintained with the Bank and utilized the full amount for renovating its administrative office building. The machinery had been kept as capital stock under construction. Comment as to reporting issues, if any, that the Auditor should be concerned with for the financial year ended on 31.03.2023, in this respect.

Answer:

As per requirement of Para 3(ix) of CARO, 2020, auditor is required to report the fact that out of the term loan obtained for machinery purchase and erection, 20 Lacs was not utilized for the purpose of erection of machinery.



## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

### Question:

Gautam Limited had borrowed 1,000 crore from XYZ Bank, the principal of which was repayable after 5 years and interest was payable at the end of each year. For 4 years, Gautam Limited paid the interest amount on time. Gautam Limited defaulted the 5th instalment of interest payment and principal which was due on June 30, 2022. On Dec. 31, 2022, Gautam Limited approached XY bank and MNO bank to restructure the existing liability. As a result, the existing principal and outstanding and overdue interest was restructured into a new loan amounting to 1,100 crore. The management did not provide any disclosure for the default on the loan on the belief that the old loan ceased to exist and the new loan has maturity after 5 years.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

During the statutory audit for the financial year 2022-23, KP & Co. identified this transaction and obtained the relevant documents and understanding. Based on the underlying documents, it was identified that the said restructuring agreement was approved and signed on April 8, 2023, by both of the banks. As a result, on March 31, 2023, the restructuring was still not approved.

**Answer:**

**Report under ix of para 3**

(x) Money raised by IPO, FPO & preferential allotment/private placement of shares or convertible debentures 



a. Whether money raised by IPO or FPO are applied for the purpose for which they are raised.

b. Whether the company has made any preferential allotment or private placement of share or convertible debentures

If not, details together with delays or default and subsequent rectification, if any, shall be reported

If so, whether sec 42 & 62 of companies Act, 2013 have been complied with.

If not, provide details in respect of amount involved and nature of non compliance


(xi) FRAUD

On company or by the company is reported during the year



If yes, Report **Nature & Amount** of fraud

143(12) of companies Act, 2013 has been complied with 

Whether the auditor's considered **whistle blower complaints**, if any, received during the year by the company 

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

ABC Pvt. Ltd. is a manufacturer of jewellery. A senior employee of the Company informed you that the Company does not properly disclose the purity of gold used on the jewellery.

**Answer:**

From the view point of reporting on frauds under CARO, 2020, there is no implication for misstatement in the financial statements. Hence, no reporting is necessary for improper disclosure of purity of gold on the jewellery.

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

What are the reporting requirements in the audit report under the Companies Act, 2013/CARO, 2020 for the following situations?

- (a) A fraud has been committed against the company by an officer of the company.
- (b) A fraud has been committed against the company by a vendor of the company.
- (c) The company has committed a major fraud on its customer and the case is pending in the court.
- (d) A fraud has been reported in the cost audit report but not noticed by statutory auditors in his audit

**Answer:**

Refer Sec. 143(12) read with Rule 13 of Companies (Audit & Auditor's) Rules, 2014 and Para 3(xi) of CARO, 2020.


(xii) NIDHI COMPANY

a. Net owned funds: Deposits

1: 20

b. 10% unencumbered term deposit

(liquid)

c. Whether there has been any default in payment of interest on deposit or principal 

If yes, details thereof

## (xiii) RELATED PARTY



Is as per sec 177, 188 and AS- 18



**Sec 177:** of Companies Act, 2013 amended to empower Audit Committee to give omnibus approvals for related party transactions on annual basis

**Sec 188:** Prior approval of Board of Directors of the Company is required so as to enter into any contract or arrangement with related party

**AS 18:** Related party disclosure



## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

In the course of audit of MM Ltd., your audit team has identified the following matter:  
All amount of 4 Lakh per month for the marketing services rendered is paid to M/s. MG Associates, a partnership firm in which Director of MM Ltd. is also a managing partner, with a profit sharing ratio of 30%. Based on an independent assessment, the consideration paid is higher than the arm's length pricing by 1.50 Lakh per month.  
Whilst the transaction was accounted in the financial statements based on the amounts paid, no separate disclosure has been made in the notes forming part of the accounts.  
Give your comments.

**Answer:**

Refer Para 3(xiii) of CARO, 2020

(xiv) Internal Audit System 

a. Whether co has an **ICS** commensurate with the size and nature of its business

b. Whether **reports of IA** were considered by statutory auditor



Sec 138 of Companies Act, 2013 - Internal Audit

Listed Co

Public co

Pvt co

Dep  $\geq 25$ cr or

T/O  $\geq 200$ cr or

PUSC  $\geq 50$ cr or

Borr  $\geq 100$ cr

T/O  $\geq 200$ cr or

Borr  $\geq 100$ cr

## (xv) NON CASH TRANSACTION



With directors or persons  
connected with him



If so, whether the provisions of **sec 192** of Co. Act  
2013 have been complied with



**Sec 192:** prior approval for such arrangement is accorded by a  
resolution of the company in general meeting

(xvi) SEC 45 IA OF RBI, ACT 1934

a. Whether the co. is required to be registered u/s 45-IA of RBI Act, 1934 (i.e NBFC)

If so, whether the registration has been obtained

b. Whether the co. has conducted any Non-banking Financial or housing Finance activities without a valid certificate of registration

c. Whether the co. is a Core Investment Co (CIC) as defined by RBI  
if so, whether it continues to fulfill the criteria & if it is exempted, it continues to fulfill such criteria

d. Whether the co. Group has more than one CIC  
if yes, indicate the number of CIC which are part of the group

## CORE INVESTMENT CO

- Core Investment Company (CIC) is a non-banking financial company carrying on the business of acquisition of shares and securities and which
- (a) holds not less than **90 per cent** of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies and
- (b) its investments in the equity shares in group companies constitutes not less than **60 per cent** of its net assets as on the date of the last audited balance sheet.

### (xvii) Cash losses

Whether the co has incurred **cash losses** in the  
FY & immediately preceding FY

If so, state the **amount of cash losses**

### (xviii) Resignation of Statutory Auditor

Whether there has been any resignation of the statutory  
auditors during the year

If so, whether the auditor has taken into **consideration the issues, the  
objections or concerns raised by the outgoing auditor**

## QUESTIONS ASKED IN PAST/RTP/MOCK TEST

You are appointed as the Auditor of XMP Pvt. Ltd. for financial year 2022-23 after the resignation of RS & Co. Chartered Accountants, as statutory auditor of the company. RS & Co., had certain concerns on the accounting matters of the company, leading to change of auditors. All compliances u/s 139 & 140 are made by the company with regard to resignation appointment. During the course of audit, it came to your notice that a survey has been conducted on December 7, 2022 by the Income Tax Department and department has unearthed unrecorded sales 5 lakhs which had been made in cash on different dates during the year 2021-22. XMP Pvt. Ltd. purchased gold from such collections and these transactions are not recorded. Company surrendered and disclosed these transactions before the assessing officer and paid taxes thereon. However, company has not recorded those transactions in books of account even after surrender before Income Tax authorities. Comment.

**Answer:**

Report as per CARO clause (xviii) of  
para 3



(xix) Capability of Co meeting its liabilities existing at the BS date 

↓

On the basis of the *Financial ratios, ageing and expected dates of realization of financial assets and payments of financial liabilities*

↓

*Or other info, the auditors knowledge of BOD and managements plan*

↓

*Whether the auditor is of the opinion that no material uncertainty exists as on the date of Audit report that co is capable of meeting its liabilities existing at the date of BS*

↓


*And when they fall due within a period of one year from the date of BS*

(xx) Transfer amount remaining unspent u/s 135(5) to fund specified in Sch VII 



**Sec 135(5):** The Board of every company shall ensure that the company spends, in every financial year, at least **two per cent.** of the **average net profits** of the company made during the three immediately preceding financial years, in pursuance of its **Corporate Social Responsibility Policy**

**SCH VII:** Activities which may be included by companies in their **Corporate Social Responsibility Policies** Activities

(xx) Transfer amount remaining unspent u/s 135(5) to fund specified in Sch VII 

a. whether, in respect of other than ongoing projects, the company has transferred unspent amount to a Fund specified in Schedule VII to the Companies Act within a period of six months of the expiry of the financial year

b. whether any amount remaining unspent pursuant to any ongoing project, has been transferred to special account

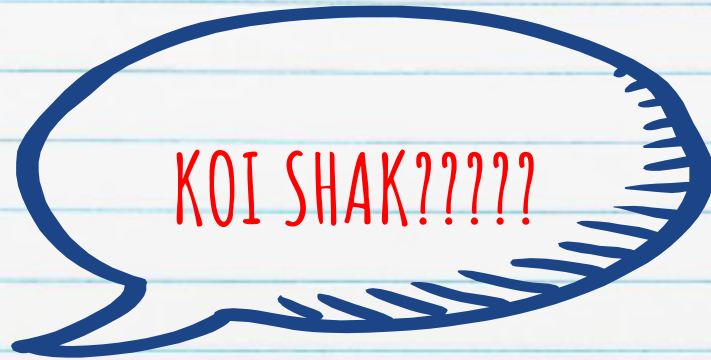


Whether there have been any *qualifications or adverse remarks* by the respective auditors in the *CARO* reports of the companies included in the *consolidated financial statements*

*if yes, indicate the*

- *details of the companies and*
- *the paragraph numbers*

*of the CARO report containing the qualifications or adverse remarks.*



*Any questions???????*

*THANK YOU!!*

*Prof. CA Rohit J Shroff*



*View your  
lectures*



*Make your notes  
Along with video*



*Pen down your  
doubts well*



*Cover the same in  
revision class*