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Modification to the opinion in the Independent Auditor's Report.

Basis of Opinion / Types of Opinion

SO A

Unmodified / Clean Opinion

Modified Opinion

Qualified Opinion

Adverse Opinion

Disclaimers of opinion

Objective of the Auditor - to express clearly an appropriate modified opinion.

SO A A A

Circumstances when a modification to the auditor's opinion is required : - May 23definition of modified opinion

Affected MS (a) The auditor concludes, based on AE obtained, that the FS as a whole are not free from MMS. (or)

Possible MS (b) The auditor is unable to obtain SAE to conclude that the FS as a whole are free from MMS.

Nature of matter giving rise to the modificationAuditor's Judgement about the Pervasiveness of the effects or possible effects on the FS

material but not Pervasive

material and Pervasive

Effect

affected MMS

FS are materially misstated

Qualified Opinion

Adverse Opinion

Inability to obtain SAE

Qualified Opinion

Disclaimers of Opinion.

Possible effect

Possible MMS

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factor on which it is not to decide which modification is appropriate under what circumstances

(Which modification is appropriate under what circumstances)

factor may be which type of opinion is appropriate? modified

The decision regarding which modified opinion is appropriate depends upon :-

(a) The nature of the matter giving rise to modification, that is, [whether the FS are materially misstated] or [In case of an inability to obtain SAE], may be materially misstated

(b) The auditor's judgement about the pervasiveness of the effects or possible effects of the matter on the FS.

Pervasive

definition :- a term used in the context of MS to describe the effects on the FS of MS or the possible effects on the FS of MS, if any, that are undetected due to an inability to obtain SAE.

Pervasive effects on the FS are those that, in the auditor's judgement :-

effect in multiple areas (eg -> director's income TTTT)

(i) are not confined to specific elements, accounts or items of the FS.

effect in one area but that one area represent substantial part

(ii) if so confined, represent or could represent a substantial proportion of the FS, (eg -> Loan is 80% of Total B/s)

(iii) In relation to disclosure, are fundamental sources' understanding of the FS.

effects in disclosures -> eg -> summary of significant accounting policies.

Companies Sec 143

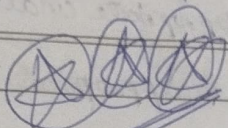
study :-
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MCO

Unmodified/Clean $\Rightarrow$ In our opinion, to the best of our info & explanation given to us.

FS give clean & fair view

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Definition: $\rightarrow$



Qualified Opinion:

True & Fair View except

The auditor shall express a qualified opinion when:

(a) The auditor, having obtained SAAE, concludes that MS, individually or in the aggregate, are material, but not pervasive, to the FS. Ok effect

(b) The auditor is unable to obtain SAAE on which to base the opinion, but the auditor concludes that the possible effects on the FS of undetected MS, if any, could be material but not pervasive.

Adverse Opinion:

Don't give True & Fair view

The auditor shall express an adverse opinion when the auditor, having obtained SAAE, concludes that MS, individually or in the aggregate, are both material & pervasive to the FS.

Disclaimer of Opinion:

we were engaged to verify & express an opinion

The auditor shall disclaim an opinion when the auditor is unable to obtain SAAE on which to base the opinion, & the auditor concludes that the possible effects on the FS of undetected MS, if any, could be both material & pervasive.

The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained SAAE regarding each of the individual uncertainties, it is not possible to form an opinion on the FS due to the potential interaction of the uncertainties & their possible cumulative effect on the FS.

get material but not pervasive

get material but not pervasive

get material & as well as pervasive

get material as well as pervasive

individually comfort but overall not possible to form an opinion

DRAFTING Audit Report.

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I. Unmodified opinion.

Opinion

• about 5 items → RI limited ("the company") at completes of Bls, Statement of P&L, Statement of changes in equity, Cash flow st for the year ended 31/3/25, for the year ended 31/3/25, for the year ended 31/3/25, notes to accounts of FS including summary of significant accounting Policies.

• Give your opinion? In our opinion and to the best of our info & according to the explanation given to us, the aforesaid FS give the info required by the Companies Act, 2013 in the manner so required and give a True and fair view in conformity with the Ind AS prescribed U/s 132 of the Act read with Companies (Ind AS) rules, 2015, as amended, (Ind AS) & other accounting principles generally accepted in India, of the state of affairs of the Company as at 31/3/25, and P&L, its cash flows & the changes in equity for the year ended on that date.

Basis of Opinion

• Paragraph 1: -

• Paragraph 2: we conducted our audit of the FS in accordance with SA's specified under Sec. 142(10) of the act. Our Responsibilities under those stds are further described in the auditor's responsibility for the audit of FS see your report. we are independent of the Co. in accordance with the code of ethics issued by ICAI together with the ethical requirements that are relevant to our audit of FS under the provisions of the act & the rules made thereunder, & we have fulfilled our ethical requirement & the ICAI's code of ethics. we believe that the AF obtained by us is S & A to provide a basis for our audit opinion on the FS.

II. Modified Opinion

A. Qualified Opinion

Opinion → (Qualified Opinion)

• about 5 items: we have audited ^{The} accompanying FS of RI Limited ("the company"). It comprises of Balance sheet as on 31/3/25, Statement of P&L, Statement of changes in equity, Statement Cash Flow for the year ended 31/3/25 and notes to FS including a summary of significant accounting policies.

~~Give your opinion~~ • Give your opinion: In our opinion to the best of our info & according to the explanation given to us, except for the effects on possible effects of the matter described in the basis for Qualified Opinion section of our report, the aforesaid FS give a true & fair view in conformity with the Ind AS

& other accounting principles generally accepted in India, of the state of affairs of the company at 31/3/25, and P&L, its cash flows, & the changes in equity for the year ended on that date.

Basis of opinion: (Basis for Qualified Opinion)

• Paragraph 12: Reason for modification

The Co's inventories are carried in B/S at xxx. Mgmt has not stated the inventories at the lower of cost & NRV but have stated them solely at cost, which constitutes a departure from the AS prescribed U/s 133 of The Companies Act 2013. The Co's records indicate that, had mgmt stated the inventory at the lower of cost & NRV an amount of ₹xxx would have been required to write the inventories down to their NRVs accordingly, cost of sales would be increased by ₹xxx; & income tax

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• Paragraph 23 4 items

We conducted our audit of the FS in accordance with SN's specified under sec 143(10) of the act. Our responsibilities under these standards are further described in the auditor's responsibility for the audit of FS section of our report. We are independent of the company in accordance with the codes of ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of FS & the provisions of the act & the rules made thereunder, & we have fulfilled our ethical requirements & the ICAI's code of ethics. We believe that the AE obtained by us is S & A to provide a basis for our audit opinion on the FS.

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net income of SH's fund would have been reduced by ₹xxx & ₹xxx, respectively.

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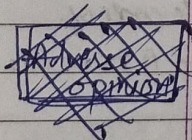
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• about 5 items: we have audited the accompanying FS of RIL Limited (the company). It comprises of Balance sheet as on 31/3/25, Statement of PL, statement of changes in equity, cash flow statement for the year ended 31/3/25 and notes to the FS including a summary of significant accounting policies.



• Give your opinion: In our opinion & to the best of our infoⁿ and according to the infoⁿ given to us, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying FS do not give a true & fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Co. as at 31/3/25, P&L, st of changes in equity & cash flow for the year ended.

Basis of Opinion: Basis for Adverse Opinion

• Paragraph 2: Reason for modification

A company's financing ~~aggre~~^{arrangements} expired & the amount o/s was payable on 31/3/2025. The company has been unable to re-negotiate or obtain replacement financing & is considering filing for bankruptcy. These events indicate a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern & therefore, it may be unable to realise its assets & ~~liabilities~~ discharge its liabilities in the normal course of business. The FS (and notes thereto) do not disclose this fact.

• Paragraph

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Date: / /Paragraph 2: 4 items

We conducted our audit of the FS in accordance with SAs specified under sec 143(10) of the ^{Companies 2013} Act. Our responsibilities under those SAs are further described in the auditor's responsibility for the audit of FS section of our report. We are independent of the company in accordance with the codes of ethics issued by the ICAI together with the ethical requirements that are relevant to our audit of FS under the provisions of the ^{Companies 2013} Act and the rules made thereunder, & we have fulfilled our ^{other} ethical requirements ~~of the Act~~ & the ICAI's code of ethics. We believe that we have obtained by us in SPA to provide a basis for our audit opinion on the FS.

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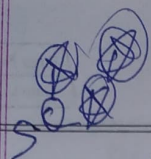
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C. Disclaimer of Opinion

Opinion: Disclaimer of Opinion

- about 5 items: We were engaged to audit the FS of RI Limited ("the Company"). It comprises the balance sheet as on 31/3/25, statement of RI, statement of changes in equities, cash flow statement for the year ended 31/3/25, and notes to the FS, including a summary of significant accounting policies.

- Give your opinion: We do not express an opinion on the accompanying FS of the company. Because of the significance of the matters described in the Basis for Disclaimer of opinion section of our report, we have not been able to obtain SAME to provide a basis for an audit opinion on these FS.

Basis for opinion: Basis for Disclaimer of Opinion

Paragraph 1: Reason for Modification

We were not appointed as auditors of the Company until after 31/3/25 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31/3/24 & 31/3/25, which are stated in the Balance sheet at ₹ _____ & ₹ _____, respectively. In addition, the introⁿ of a new computerized accounts receivable system in sept 2025 resulted in numerous errors in accounts receivable. As of the date of our report, mgmt still in the process *

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Auditor's Responsibility for the Audit of the FS:

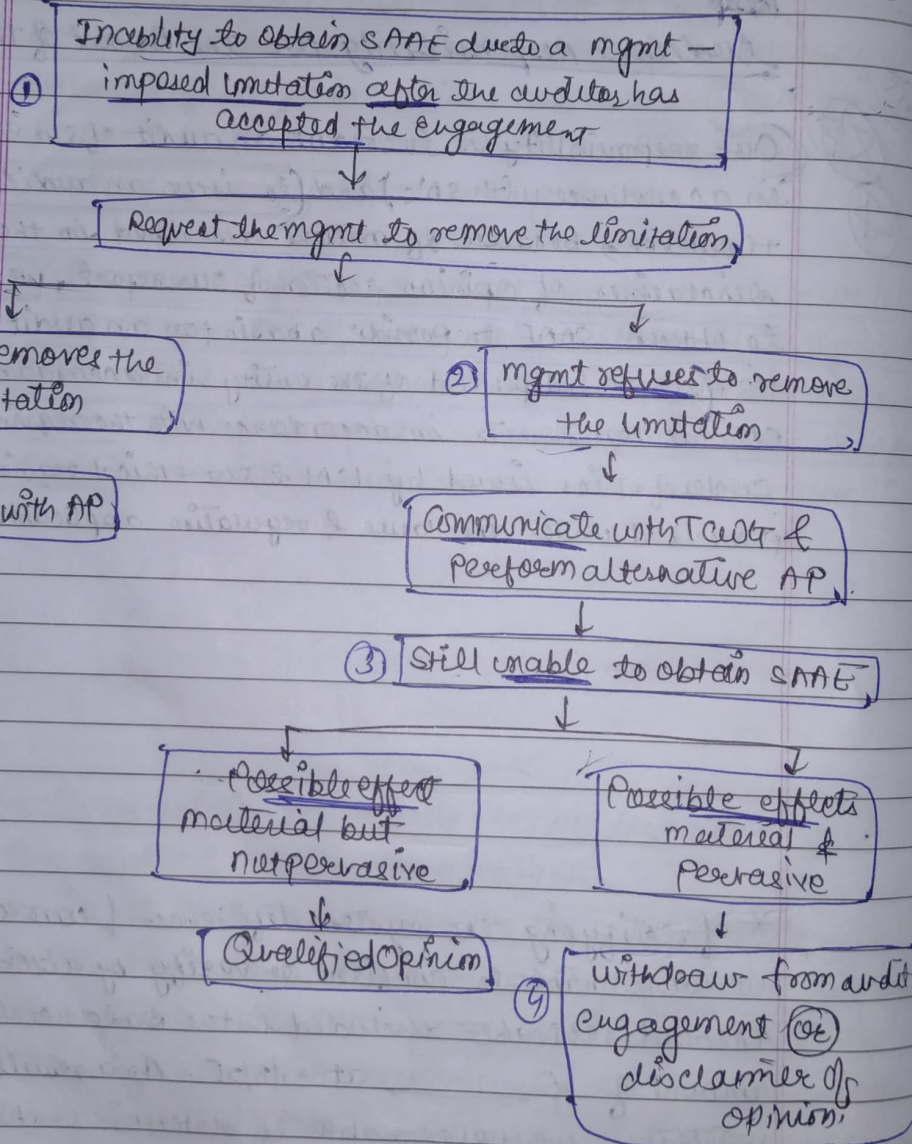
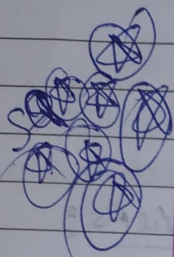
① Our responsibility is to conduct an audit of the entity's FS in accordance with SAs and to issue an auditor's report. However, because of matters described in the Basis for Disclaimers of Opinion section of our report, we are not able to obtain SAE to provide a basis for an audit opinion on these FS. We are independent of the entity in accordance with the ethical requirements in accordance with the requirements of the codes of ethics issued by ICAI & the ethical requirements as prescribed under the laws & regulation applicable to the Company.

* of rectifying the system deficiencies & correcting the errors we were unable to confirm or verify by alternative means account receivable included in the Balance sheet at a total amount of ₹ _____ at 31/3/25. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories & account receivables, and the elements making up the statement of P&L.

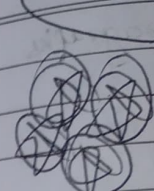
- 5 steps in Audit
- ① Understanding the entity & its environment
 - ② Agreeing engagement terms
 - ③ Planning
 - ④ Execution
 - ⑤ Reporting

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Consequences of an inability to obtain SAE due to a mgmt-imposed limitation after the auditor has accepted the engagement:-



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* Unless required by L & P, when the auditor disclaims an opinion on FS the auditor's report shall not include KAM section SA 701

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Description of auditor's responsibility for the audit of the FS when the auditor disclaims an opinion on the FS $\Rightarrow$ when an auditor disclaims an opinion on the FS due to an inability to obtain SAE, the auditor shall amend the description of the auditor's responsibilities required by SA 700 (revised) to include only the following $\Rightarrow$

- (a) A statement that auditor's responsibility is to conduct an audit of the entity's FS in accordance with ~~the~~ SA 700 to issue an auditor's report;
- (b) A statement that, however, because of the matters described in the Basis for disclaimer of opinion section, the auditor was not able to obtain SAE to provide a basis for an audit opinion on the FS &
- (c) That statement about auditor's independence & other ethical responsibilities required by SA 700 (revised).

See

Considerations when the auditor disclaims an opinion on the FS
KAM - 701 (X)

Communication with TCWG
Circumstance that lead to modification
& wordings.