Companies Auditor's Report Order, 2020

CARO 2020

Applicability: Every Co. (including foreign Co.) Except

(financial)

- Banking Co.
- Insurance Co.

NBFC → Applicable

- Section 8 Co.
- Small Co.
- One Person Co.

Pvt Ltd Co. [x Holding | Subsy of Public Co.]

(satisfies all 3 conditions).

1. P.U.S.C + R&S ≤ 1 cr (BS Date)

&

2. Borrowings ≤ 1 cr (whole FY)
(Bank & FIs)

&

3. Revenue ≤ 10 cr (as per P&L I Sched. III).
(including Discontinued operations)

* N.A. on audit of consol. FS. (except clause xxi).

Small Co. [Co. → Public Co.b].

P.U.S.C ≤ 4 cr & Turnover as per "preceding FY" ≤ 40 cr

Exceptions:
- Holding | Subsy Co.
- Sec 8 Co.
- Incorporated under Spl. Act.

Q How to check CARO Applicability?

Step 1 check for small Co. (using P.Y. figures)

Yes: ∴ Exempt from CARO 2020

No: check if 'All condn' of Pvt Ltd Co. are satisfied, based on C.Y. figures.

Q FY 23-24 → CARO 2020 → Applicable? [2mins].

Short Quiz:

Hera Pheri Pvt Ltd (I)	Bhagam Bhaag Pvt Ltd (II)	De Dana Dan Pvt Ltd (III)
31.3.23 PUSC = 2.5 Cr ✓ T/o = 35 Cr ✓ Small Co. ~~31.3.24 PUSC including R&S = 4 Cr T/o = 32 Cr Borrowings = 40 L~~ Exempt	31.3.23 PUSC = 3.5 Cr T/o = 42 Cr Small 31.3.24 PUSC including R&S = 90 L ✓ T/o = 9 Cr ✓ Borrowings = 55 L ✓ All ⤵ Exempt	31.3.23 PUSC = 4.5 Cr Small. T/o = 55 Cr 31.3.24 PUSC including R&S = 80 L ✓ T/o = 8 Cr ✓ Borrowings = 65 Lakhs [During the year 1.5 Cr was borrowed and repayed] ✗ ⤵ Applicable

Para 3 (clause (i) to clause (xxi))

i) a) whether Co. is maintaining Proper Records (full particulars) of
- PPE &
- Intangible Assets.

b) whether PPE has been Physically verified at reasonable intervals. ~~1 year~~ 3 yrs ✓

whether any Material discrepancies noticed & if so, is it properly dealt in books of a/cs.

c) whether Title deeds of all Immovable properties (other than lease) disclosed in FS are held in Co's name.

If not, provide details:

Description of property	Gross value	In Name of	whether promoter/ director/their Relative/ employee	Period held	Reasons* (dispute)

d) whether Co. revalued its PPE (including Right of use Assets) / I.A. / Both.

eg Building (lease) → Ind AS 116 Rou Asset.

during year & if so, whether

Revaluation by Regd. valuer &

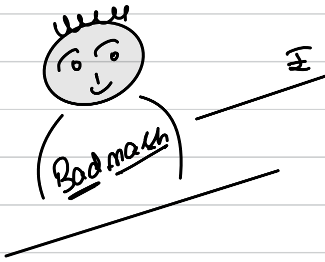
Amt. of change if it's 10% or more in aggregate of Net carrying value of each class of PPE / I.A.

	B.V	Revalued	Report?
eg Land	100	105	5% ✗
P&M	200	225	12.5% ✓

eg of class: Land, Building, P&M etc.

e) whether any Proceedings initiated / pending against Co. for holding Benami Property & if so, whether Co. disclosed details in FS.

Benami Property



Client Co. $\xrightarrow{₹}$ L&B

(Docs) owner: Client Co.

Beneficial owner: Badmash.

Books of A/cs: Client Co.

Benami Trans^n (Prohibition) Act 1988.

↓

Proceedings.

↓

FS. Disclosure: Nature, Status, Co. view

AS-2

Clause (ii) Inventory

(a) whether $\boxed{\text{physical verification}}$ of Inventory [1 year]

↓

• conducted at reasonable intervals by mgt

• Coverage & procedures appropriate, [SA501]

• Any discrepancy of 10% or more in agg. of each class of inv. noticed & if yes, is it properly dealt in books of A/cs.

• RM
• WIP
• FG

→ W.C. Loan

• whether at any point during year, Co. has been sanctioned working capital > 5cr in agg from Banks / FI. on security of current assets.

↓

• whether Qtrly Returns / Statements filed by Co. with Banks / FI agree with Books of A/cs, if not, give details.

Clause (iii) LIGS (Loans, Investments, Guarantee, Security)

a) whether during year, Co provided LIGS to any entity, if yes,
indicate Agg. amt. & o/s balance (BS. date) w.r.t.

SAJV & other parties.
(Subsy, Associate, & JV)

b) whether LIGS & T&Cs. → not prejudicial against to Co's interest.

c) for loans/Advances → whether schedule of repayment made.
(Int & principal)
&
whether repayments are regular.

d) if amt is overdue, state amt overdue >90 days (Non-Performing Asset).
&
whether reasonable steps by mgt for recovery of amt.

Kyu?
Bad loans

e) whether any loan fallen due during year
↓
has been REfresh (Renew, Extend, fresh Loan) to settle existing loan
↓
if yes, specify
→ [₹] Agg. amt of loan REfresh
& → % %age of the agg. to total loans granted during year.

f) whether Co granted loan
↓
Repayable on demand / without any terms of repayment
↓
if yes, specify
→ agg amt + % to total loans granted
& → Agg. loans to Promoters, R.P.s.

Imp
70-80%
DND

Note: Point (a) & (e) NA → NBFC

Ch-V

Clause (v) Deposits

whether — RBI directives
&
Sec 73 to 76 of Cos. Act complied with?
↓
If NOT then,
- State nature of contravention,
- If order passed by CLB/NCLT/RBI/any other court → whether complied/not.

1min 😊
64 6 sixers
Ball

Clause (vi) whether maintenance of cost records specified by CG u/s 148(1) of Cos Act 2013 (Han)
& whether such a/cs & records made & maintained.

Rough Q Is Auditor reqd. to check cost records? "Nahi"

Clause (vii) Statutory Dues (GST, PF, ESI, Income Tax & others)

Undisputed
- whether Co. is regular in depositing U.S.D. to appt. authorities
&
If not, then report extent of arrears, for >6months on last day of FY.

eg FY 24-25

	Stat. due	Due Date	Reported?
1.	GST	15.1.25	✗
2	Income Tax	29.9.24	✓
3.	PF	15.10.24	✗

Disputed* Appeal
where stat. dues not deposited due to dispute, then mention:
- (₹) Amt involved &
- Forum where dispute is pending. (ITAT, Highcourt ...)

* Representation to concerned deptt. not a dispute.

Co. ← Notice ← IT Dept.
Co. → Reply → IT Dept.
× Dispute.
× Appeal.