Sec 143(1) Duty to Inquire on certain matters

a) Loans & Advances → made on Securing

have been properly secured & whether terms prejudicial (against) to Co's Intt.

b) Transⁿ represented merely by Book Entries prejudicial to Co's Intt.

Co. — ₹ Receivable — & Dr. — Dr. 1000

Mr. Double — Cr. 600

Co. — ₹ payable — & Cr. — Net Dr 400

c) whether the Co. (not Investment / Banking Co.)

Sold assets (Shares, debentures or other securities)

at (loss) price < purchase price.

d) whether Loans & Advances shown as Deposits.

Co. — Loan ₹ → & Mr. Chalak — Secured ↓

Co. — Deposit (₹) → & Mr. Bhola Pe (Rental) — Secured ↑

e) whether personal expenses charged to Revenue A/c. Co. → Director

(Paris) Trip Expense — × contract — PE

Contract → Business Exp.

f) where shares of Co. allotted for cash whether

cash recd. & if not, BS position is CRN

(Correct, Regular & Not misleading)

- ABCDEF
- AEIOU
- 501A CASA

Note: Auditor → Not reqd. to report on above matters

unless spl. comments / adverse remarks.

Sec 143(3) : Reporting

a) Sought & obtained → all info. & expl^n necessary & if not → Details & effect on FS.
(AE) (mgt/others)

Audit?

b) Proper Books of A/cs kept by Co. & returns reco. from Branches not visited by Auditor.

c) whether Report on branch A/c audited u/s 143(8) by person other than Co's auditor → sent to him & → how he dealt with it.

FS?

d) whether Co's BS & P&L agree with Books.

e) whether FS comply with A/c Stds.

f) Observation / Comments on financial trans^n / Matters ↓ which have adverse effect on Co's functioning.

Eg. If Co. failed to deduct TDS on major payment to a Non-Resident [Ms. Shakira]. → 100 % of expense is disallowed.

g) whether any director disqualified u/s 164(2).

Co. → × filed FS / Annual Return → 3 yrs. [consecutively]. or × Repay D/D/D (Deposits, debentures, Dividend) & int [continued > 1yr] } 5 yrs Disqualified.

h) any Qualification, Reservation or Adverse Remark (Gauri) related to A/cs.

i) Co. has maintained adequate IFCs [Internal Financial Controls] w.r.t FS & operating effectiveness of I.Cs.

Exemption (IFC Reporting) ⇒ N.A. to Pvt. Co. → OPC / Small Co.
↳ T/O < 50 cr (last audited FS) & Borrowing (Banks / FI) < 25 cr [during FY].

(j) Other matters [Rule 11 of CAAR 2014]

(a) Disclose Impact of pending litigation on financial position.
cont. liab
(+) Litigation → Ek para disclosure

(b) made provision for material foreseeable losses on L.T. contracts (including derivatives)
futures & options → loss → prov.

leg contract [onerous contract].
Option 1: perform → ~~loss ₹10L~~
Option 2: Breach → penalty ₹5L
provision ₹5L

(c) Any delay in amt. trfr. to I.E.P.F.
Inv. Ed. & Prot. Fund.
7 yrs

(d)*

(e) Dividend declared & paid as per Sec 123.

(f) Audit Trail
- Hai?
- Thik hai?
- tuch nahi hua?
- aage bhi rahegi.

Concept

Sched. III → Disclosed Notes to A/cs → mgt "W.R." → Apart from Notes → no trans^n

I. Co. [client] —₹ Funds (FALI) Advance, Loan, Invest. → Person/Entity (including foreign) [Intermediary]
—₹ LIGS [Loan/Inv/Guarantee/Security] → Another Entity [Ultimate Beneficiary]
₹ logically → Another Entity

Sched III → Notes → W.R. → apart from Notes → no Trans^n

II. Person/Entity (including foreign) [Funding Party] —₹ funds → Co. [client]
LIGS (₹) → Another Entity [U.B]

Rule 11

* [d] i) whether mgt represented [best of knowledge & belief].

other than disclosed in Notes,

- No FALI [Funds Advanced, Loaned or Invested) by Co.,
- In any person / entity (including foreign) that Intermediary
- will further LIGS (Lend / Invest / provide Guarantee / Security)

to another Entity [Ultimate Beneficiary].

ii) whether mgt represented [Best of knowledge & Belief.)

other than disclosed in Notes,

- No funds recd by Co.
- from any Person / Entity (including foreign) [Funding Party].
- that Co. will LIGS in another Entity [U.B].

iii) Auditor → found any M.M. in above w.r.(s).