

Auditor → To draw → Audit Programme

To VERIFY assertions made by Mgt.

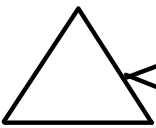

By obtaining Suff. + Appxo. A.E. → for claims

CoT Alc Bal. Disclosures

Assertions	Explanations
Occurance	<p>Transactions → Occured Transactions → Relates to Entity</p>
Completeness	<p>Transactions → supposed to be Recorded Transactions → Recognised Transactions → Not Omitted</p>
Cut-off	<p>Transactions → correct Alc period Separate Assertion → Substantive Procedures Different</p>
Measurement	<p>Transactions → Recorded → Accurately Transactions → Recorded → Apprx. Amt. NO → Error NO → Misstatement</p>
Presentation & Disclosure	<p>Transactions → Fairly → presented Transactions → Fairly → classified Transactions → Apprx. → Segregated Transactions → Apprx. → Dissegregated Transactions → Disclosure → complete Transactions → Disclosure → Accurate</p>

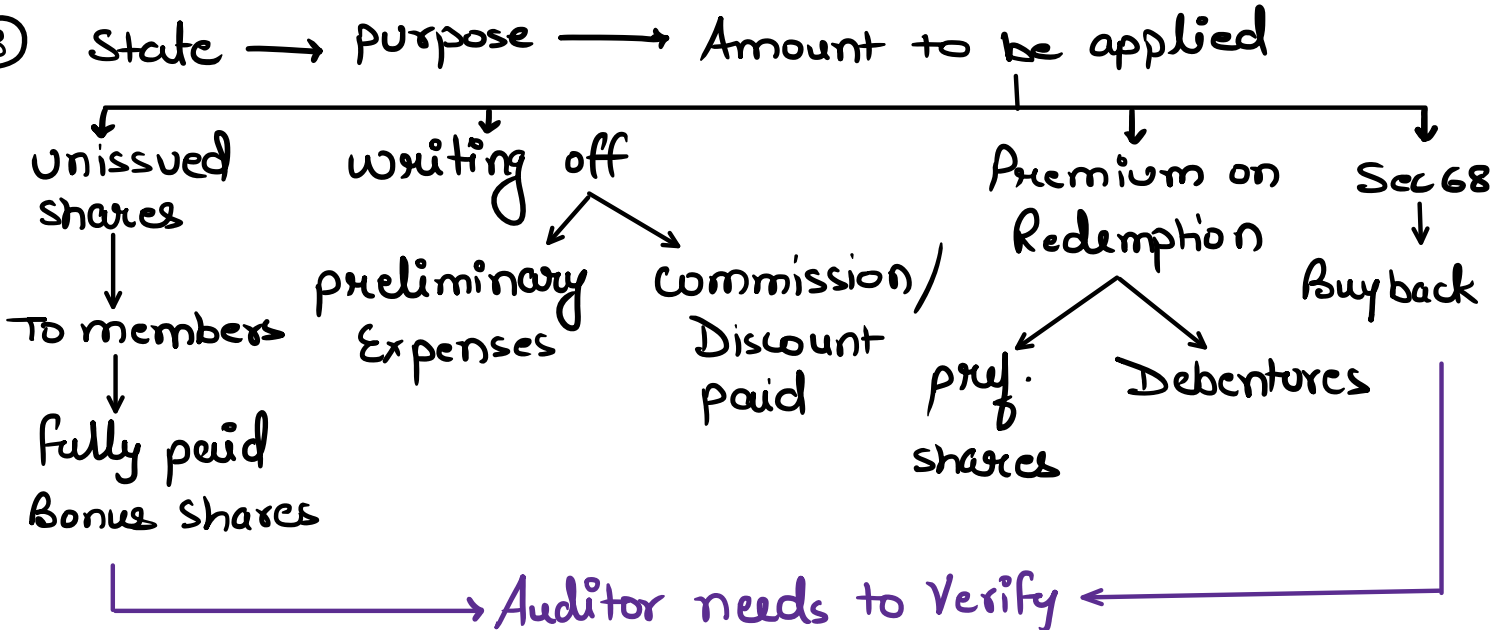
Assertions	Explanations
Existence	Balances → EXISTS
Completeness	<p>Balances → supposed to be Recorded</p> <p>Recognised → Not Omitted</p>
Cut-off	Balances → correct Alc period
Valuation	<p>Balances → Approx. Valued</p> <p>NO → Overstatement Understatement</p>
Rights & Obligation	<p>Assets → Rights → Ownership Legal Title</p> <p>Liabilities → Entity's obligations</p>
Presentation & Disclosure	<p>Balances → Fairly → presented classified</p> <p>→ Approx. → segregated Dissegregated</p> <p>→ Disclosure → complete Accurate</p>

3.1 - Share Capital → Existence + Completeness + Valuation

- ① Tally → Period End Balance
- ②  Yes → Verify → limits → Authorised Capital → MOA
- ③  NO → obtain W.R. ← Company Secretary
- ④ Obtain → copies of Resolution
- ⑤ Compliance → The Companies Act, 2013
SEBI Regulations
MCA Guidelines

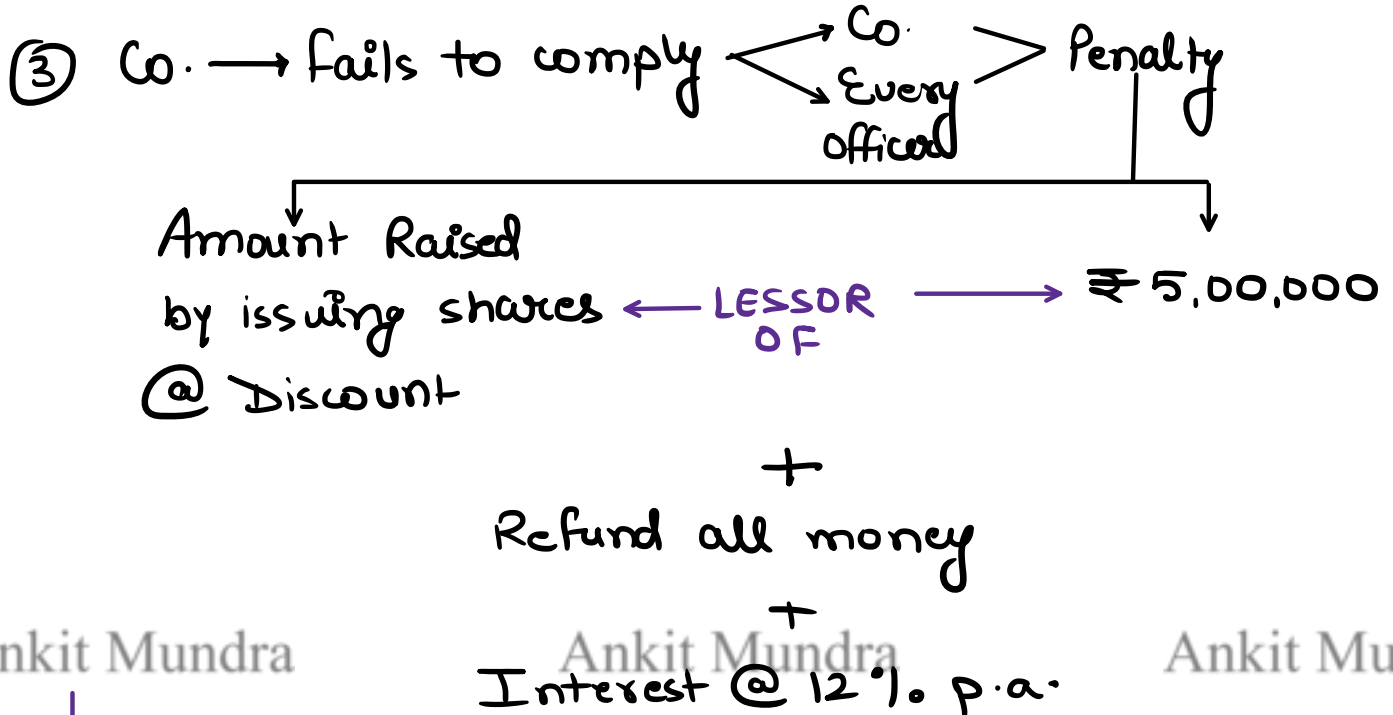
* Shares Issued @ Premium

- ① Compliance → Sec 52
- ② Transfer → Amount → Securities Premium A/c
- ③ State → purpose → Amount to be applied



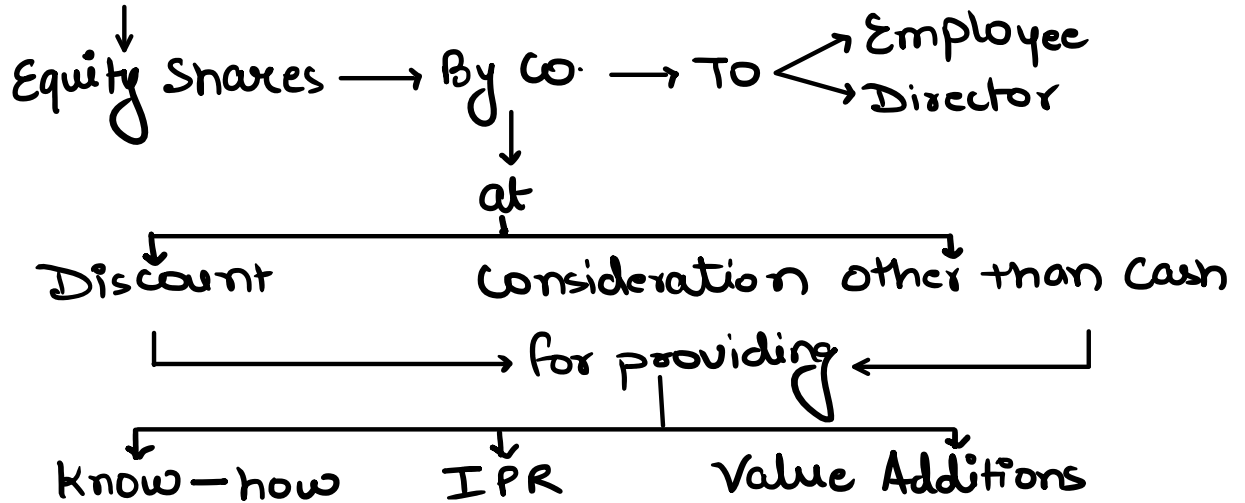
* Shares Issued @ Discount

- ① Compliance → Sec 53
- ② shall NOT issue shares @ Discount → EXCEPT



→ Auditor to check ←

* Issue of Sweat Equity Shares



→ Auditor needs to Verify

① Compliance → Sec 54

② SR → passed by Co

③ Specifics



④ Regulations → Listed → SEBI
→ Unlisted → As prescribed

* Reduction of Capital

① Compliance → Sec 66

② Meeting of share holders → properly convened
→ SR passed

③ Verify → AOA

④ NO DEFAULTS → Repayment of Deposits
→ payment of Interest on Deposits

⑤ Examine → Order of Tribunal }
→ MOM } Filed with RoC

⑥ RoC Certificate

⑦ A/c Entries

⑧ Revaluation of Assets → properly Disclosed

3.1 - Share Capital → Disclosure



3.1 - Share Capital

DISCLOSE

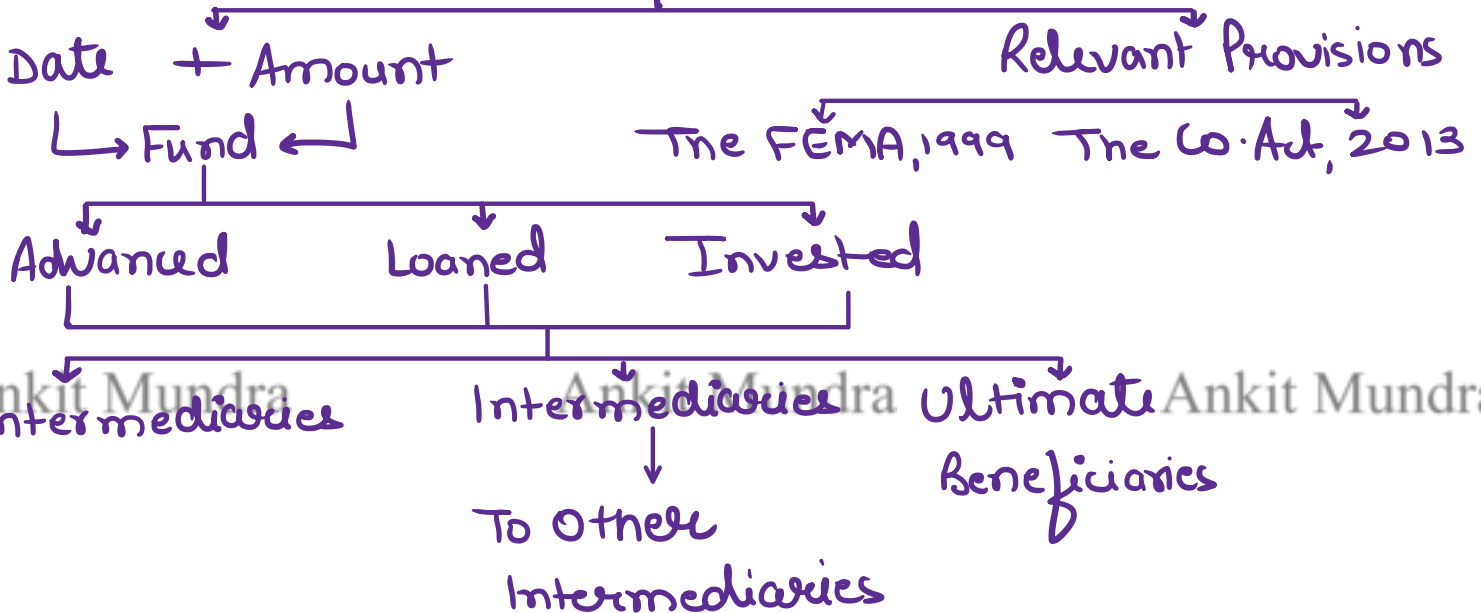
Schedule III (Part I) of The Companies Act, 2013

3.1 - Share Capital

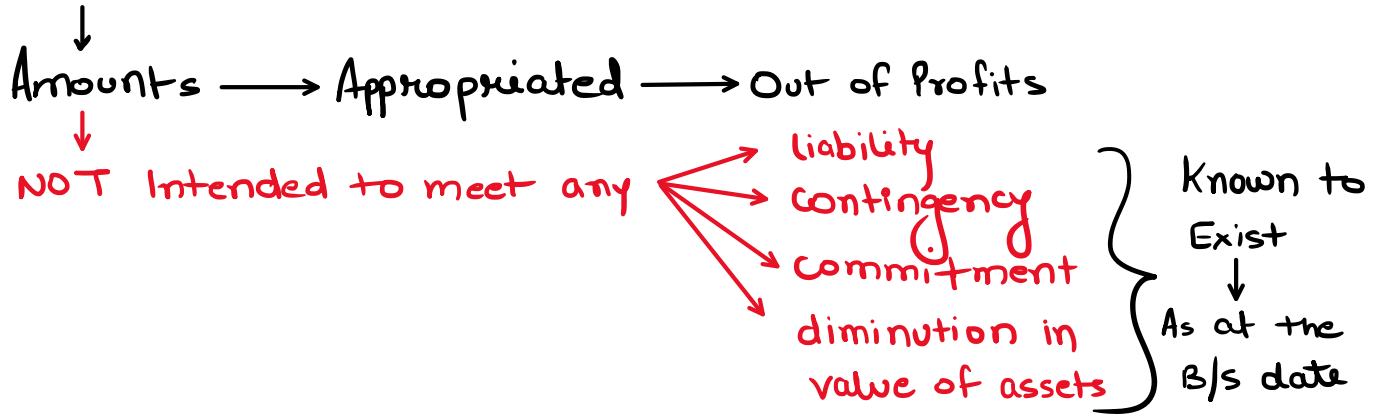
→ Additional Regulatory Info.

Sec 143(3)(j)(d) [Ch-8 → Audit Report]

DISCLOSE

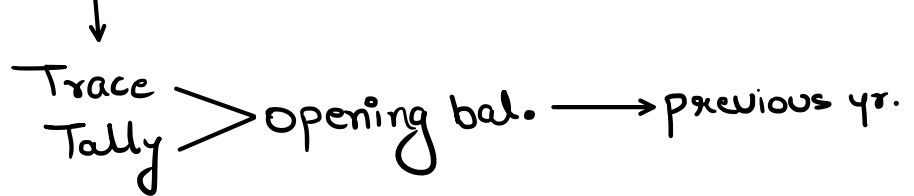


3.2 - Reserves and Surplus

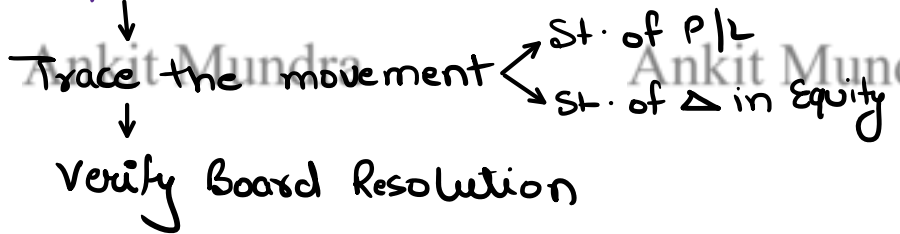


3.2 - Reserves and Surplus

→ Existence



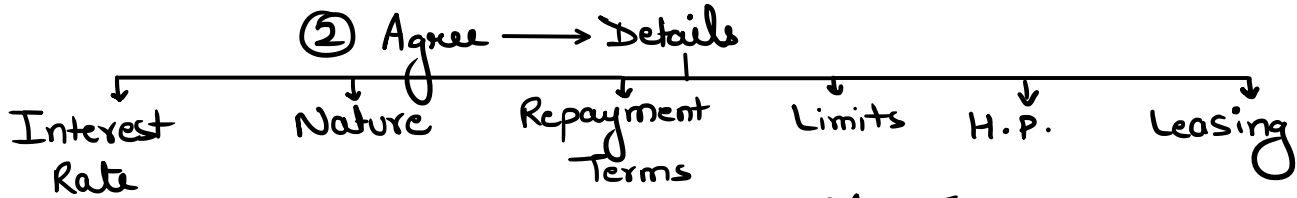
Profit & Loss → Completeness + Valuation



→ Disclosure

↓
Schedule III (Part I) of The Companies Act, 2013

Existence → ① Review → Board MOM → Agreement
↓
Authorised

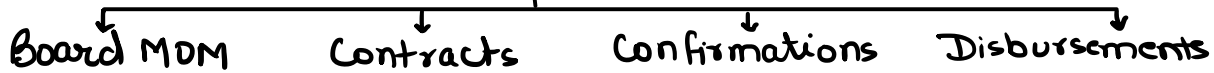


③ Bal. Confirmation → SA 505
→ SA 580

④ In case of Debenture → Deb. Trust Deed

Completeness → ① Sch. of → Short Term > Borrowings
→ Long Term

② Additional Debt



③ Trace → d. Bal.

④ Unrecorded?

⑤ Correct Period?

* Direct Confirmation Procedure

① Ascertain → Confirmation ask

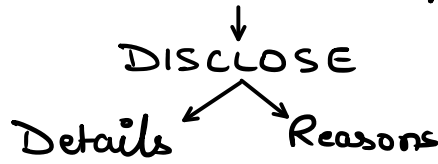
② Reminders → Non-Replies

③ Compare Bal. → Books
→ Confirmation

Valuation → ① Determine → Alc Policies
→ Methods

② Agree Loan → Bal. payable → to → Agreement

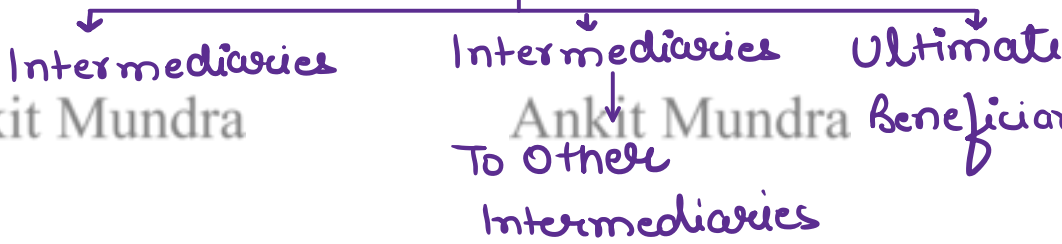
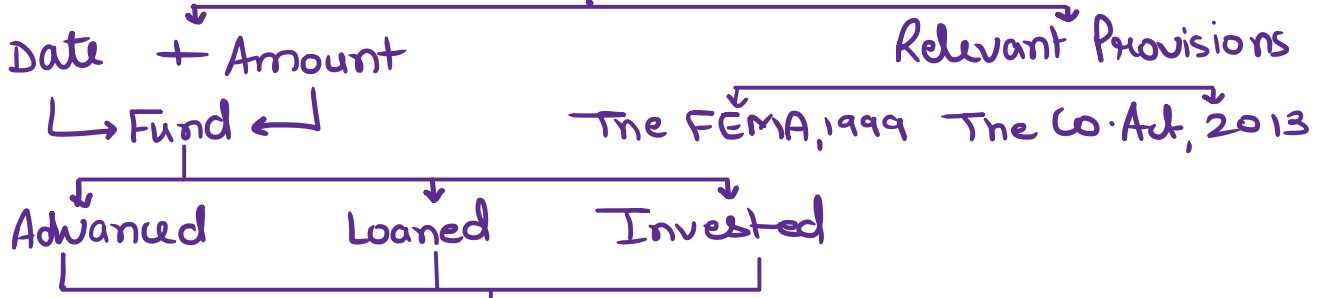
③ Recompute → Interest
→ Discount



④ Utilisation of
 ↗ Borrowed Funds
 ↘ Securities Premium

↓
Sec 143(3)(j)(d) [Ch. 8 → Audit Report]

↓
Disclose



- Existence →
- ① Check Controls → Invoices not recorded twice
Receivables Bal. → Automatically Recorded
 - ② A/c Receivable Ageing Report
 - ③ Realisation → Invoice wise?
 - ④ Reason Justification > Overdue → Large Bal.

* Direct Confirmation Procedure

- ① With the consent of the Entity
- ② Form of requesting confirmation → with > without > Bal.
- ③ Method of selection
- ④ Discrepancies → Revealed by the confirmation
- ⑤ No Reply Received → Perform Alternate Procedure

Agreeing Bal. to

Preparing Detailed Analysis of Bal

Cash Received

⑥ Related Party Receivables

- Completeness →
- ① Invoices issued → Last few days
 - ② All dispatched Goods → Invoiced
 - ③ Match Invoices → Shipping/Dispatch Log
 - ④ Review Process → Discount
Incentives
 - ⑤ Review → credit memos

Valuation → ① Obtain → Ageing Report

② List of Debtors → under Litigation

- ② List of Debtors → under Litigation
- ③ Provisions → made at approx. Rate
- ④ Sch. of Movements of Bad Debts
- ⑤ Check → write-offs

- Disclosure →
- ① As 11
 - ② As 18
 - ③ Sec 189
 - ④ CARO, 2020

Existence + Completeness

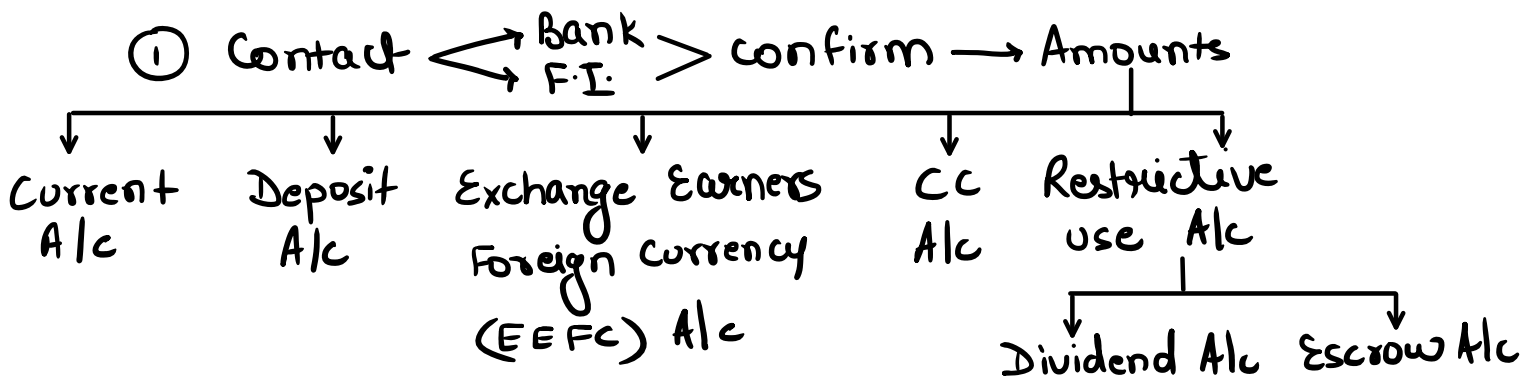
- ① Checked by surprise → last day of the year + Again after few days
- ② Desirable for the cashier to be present
↓
made to sign
- ③ Any → Slip, Chit, I.O.U.
- ④ Perform → cash sensitivity Analysis
- ⑤ B.R.S. → for all bank Alc

Tally the bal. as per Bank Book

cheques issued but not presented for payments

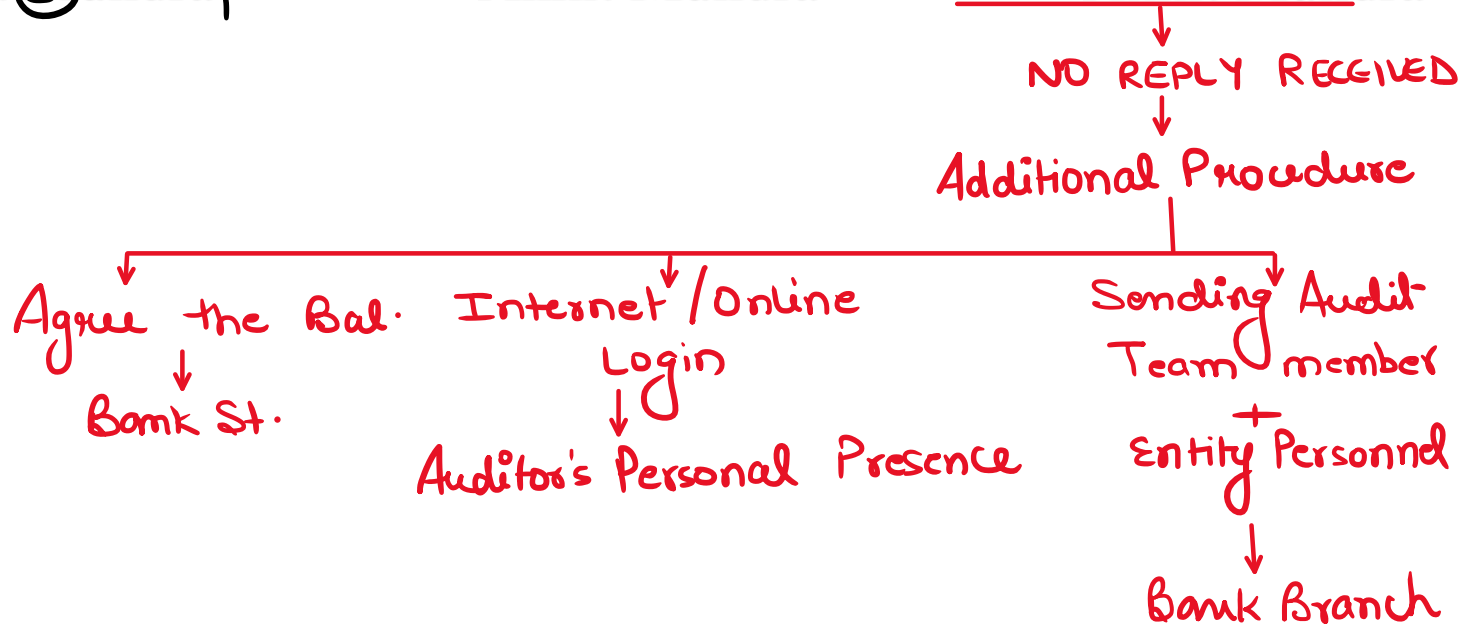
checking of all Material Reconciling Items

* Direct Confirmation Procedure



② Investigate Reconcile > Discrepancies + seek w.R.

③ Emphasis on → 100% Bank Alc Bal. Confirmation

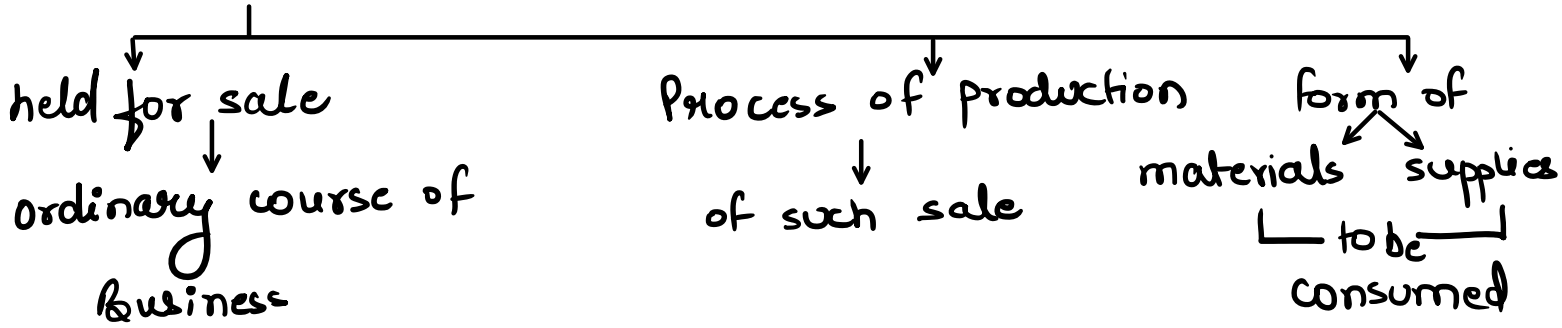


Valuation → Bank Alc → Holding F.C. → U. Exchange Rates

Disclosure

Schedule III (Part I) of The Companies Act, 2013

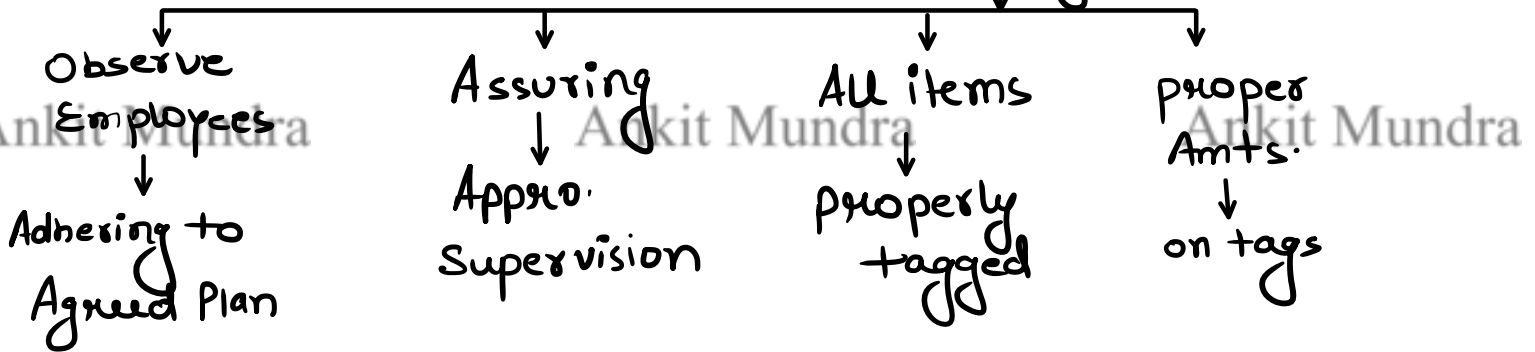
3.6 - Inventories



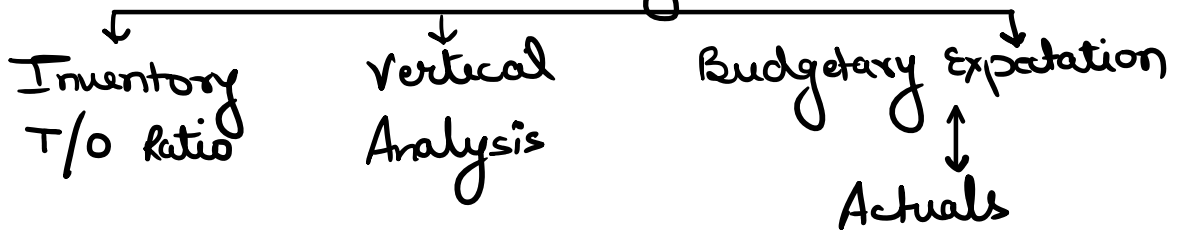
Existence → ① Review → Entity's Plan + Participate → Inventory Count

② Ensure → Consigned Goods → Segregated

③ Test Count → Inventory



Completeness → ① Perform → Analytical Procedure



② Examine → Non financial Info.

③ Purchase > Sale cut-off test

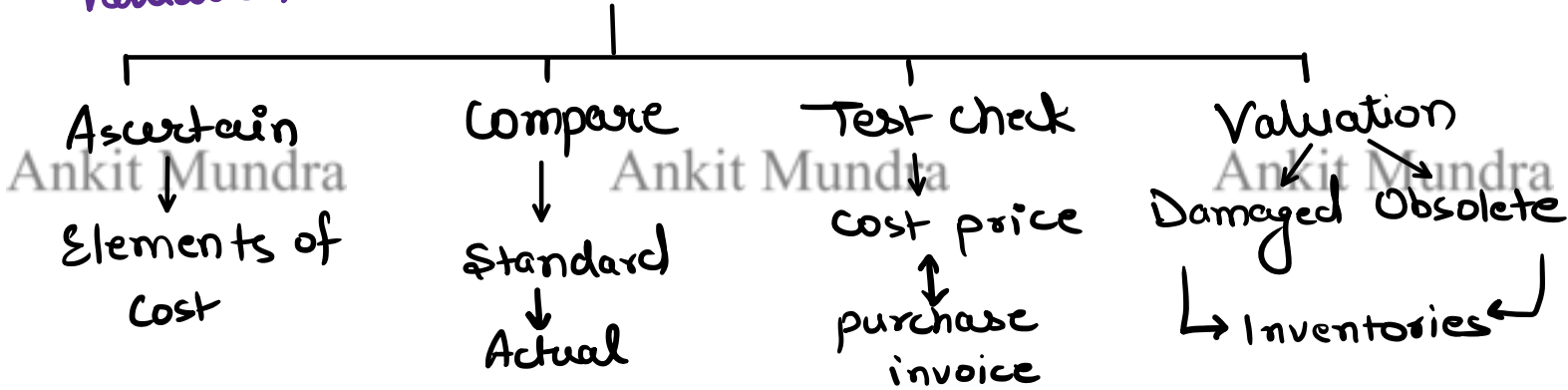
④ Clerical
Arithmetical > Accuracy

⑤ Reconciliation

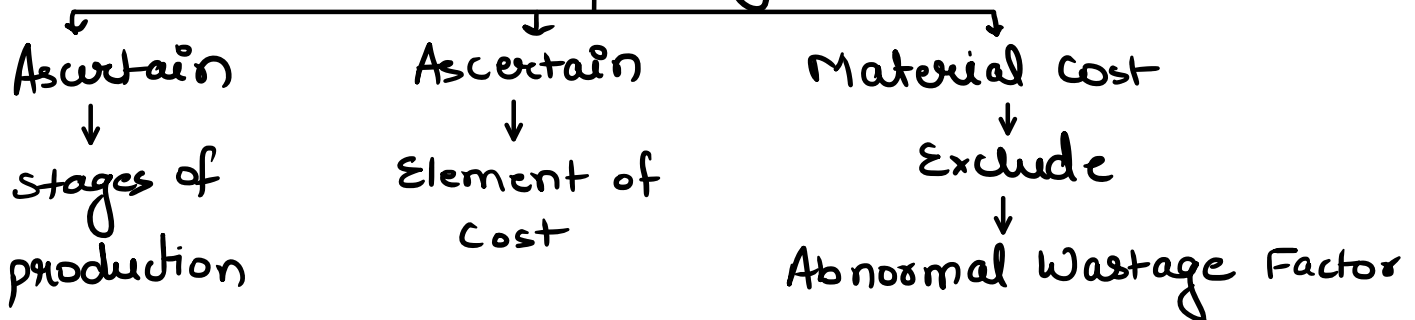
Rights →

- ① Documentation
- ② Client correspondence
- ③ Collateral Agreements
- ④ External confirmation

Valuation → Raw Materials

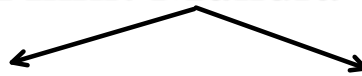


→ Work in Progress



→ Finished Goods
Ensure

Included Costs
↓
Resonable

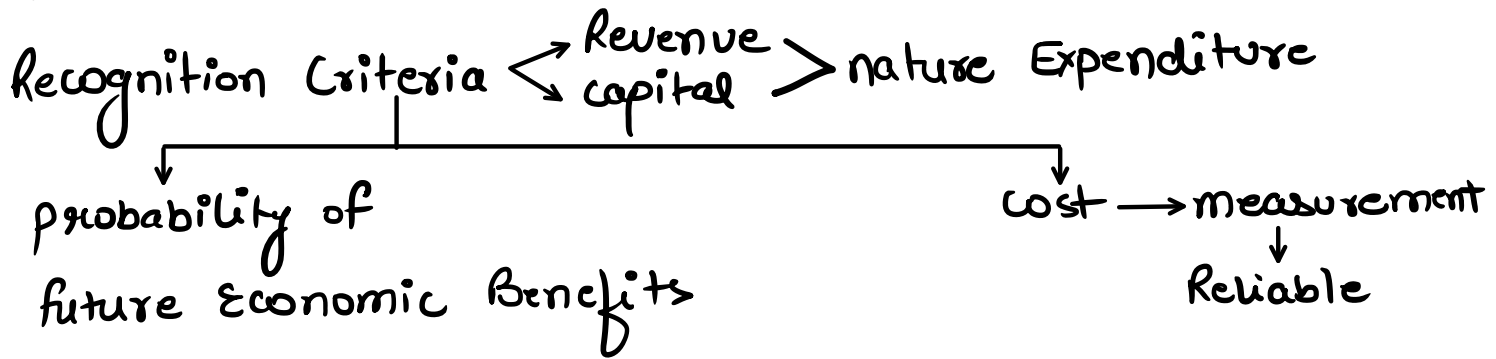


Valued
@
N.R.V.

Disclosure



Schedule III (Part I) of The Companies Act, 2013



Existence \rightarrow ① Review \rightarrow Entity's Plan \rightarrow Physical Ver.

own staff 3rd party Annual 2/3 years

② Evidence \rightarrow Appxo. Supervision

③ Verification Report + Working Sheet

properly Tagged Reconciliation Discrepancies

Completeness \rightarrow ① Movement in PPE Schedule

$$\text{Op. Bal.} + \text{Add}^n - \text{Deletion} = \text{Cl. Bal.}$$

② Arithmetical Accuracy

③ As per AS 10

④ Rationale \rightarrow for Deletion

Valuation \rightarrow ① Depreciation (unless Non-Depreciable)

② Method

③ Impairment \rightarrow AS 28

- Rights & Obligation →
- ① Land / Bldg. → Conveyance / Sale Deed
 - ② Original Title Deed
 - ③ Register of charges

Disclosure



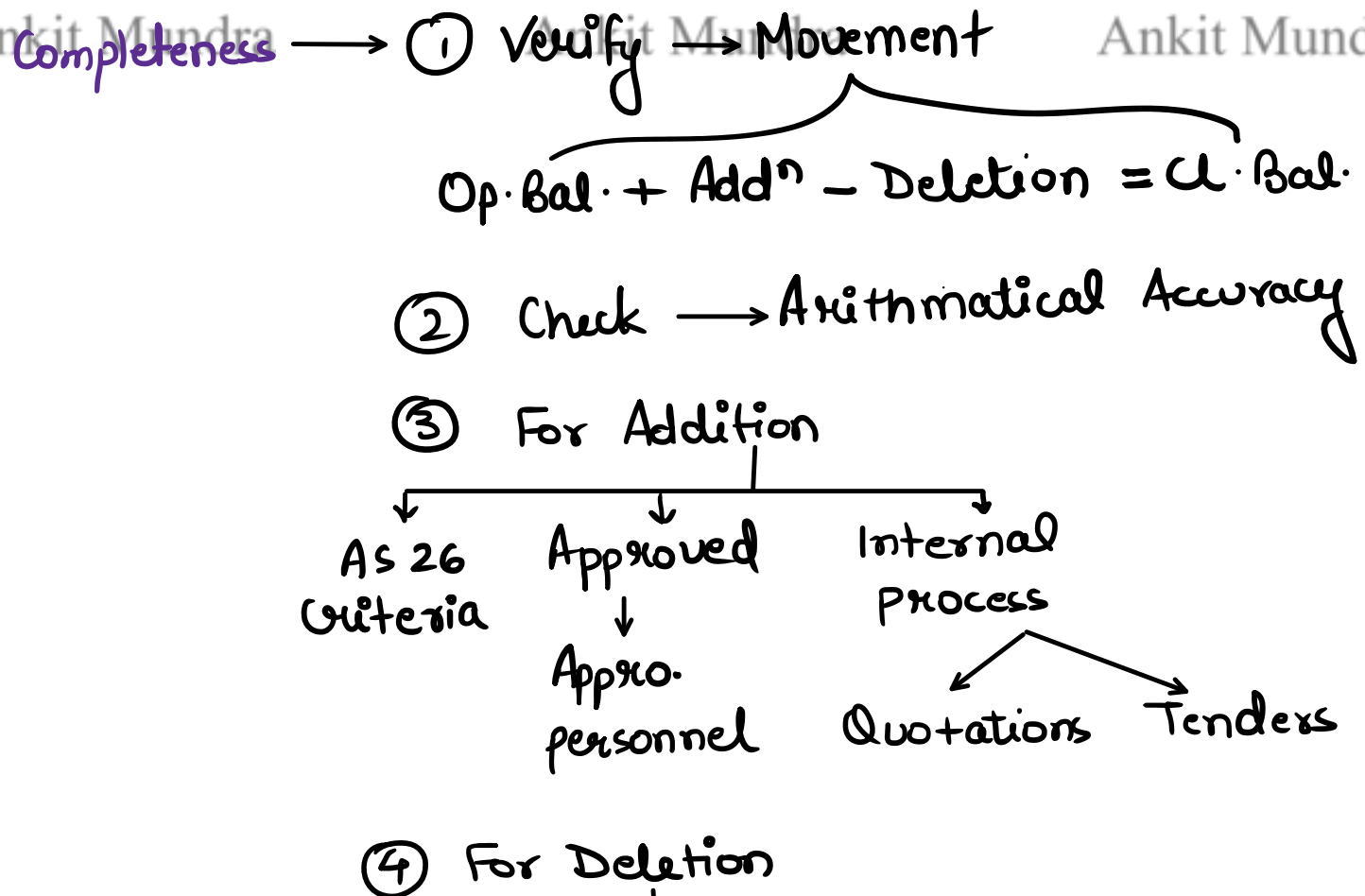
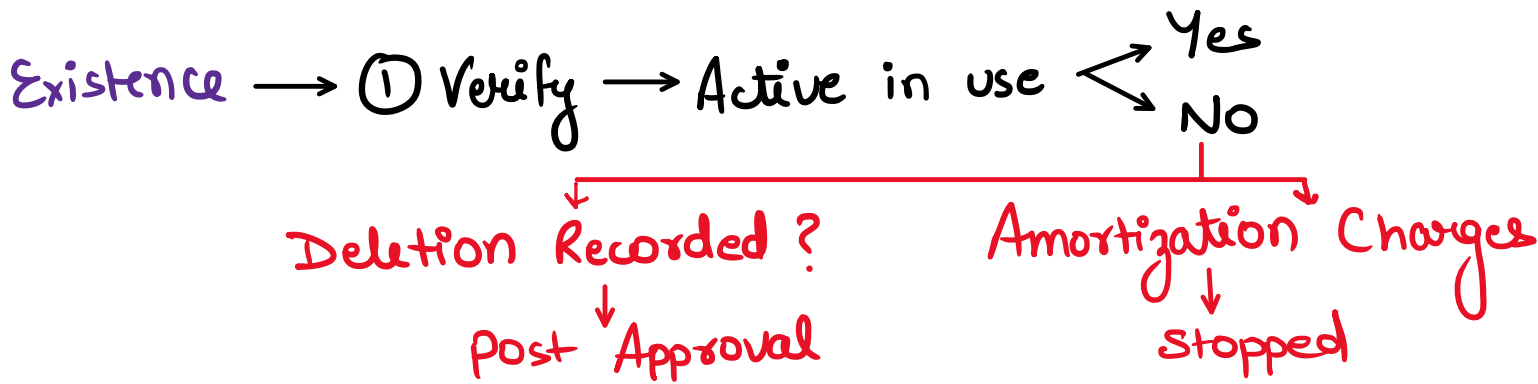
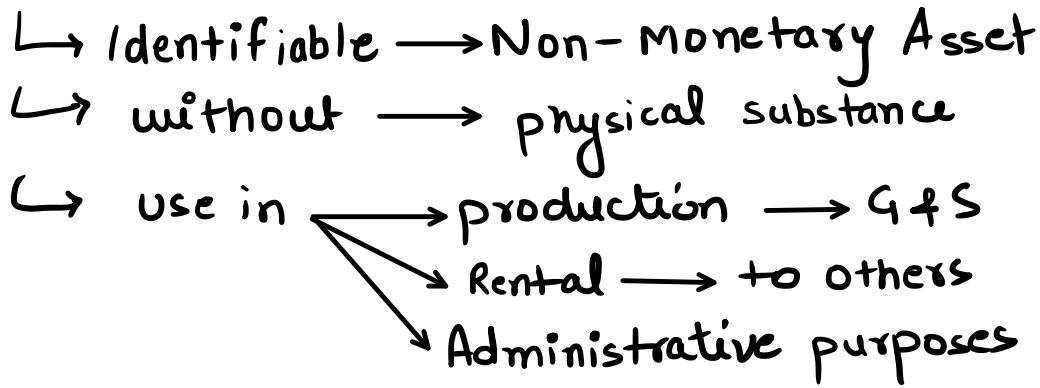
Schedule III (Part I) of The Companies Act, 2013

→ Additional Regulatory Info.

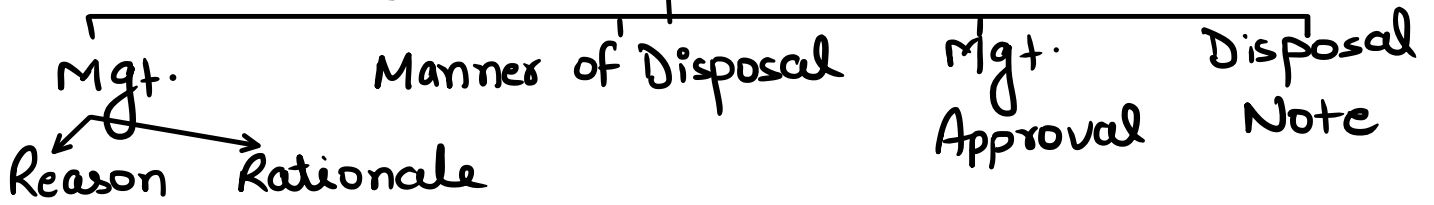
① Title Deed → NOT IN THE NAME OF CO.

Relevant Line item in B/s	Description	Gross Carrying Value	Title Deed in the name of	Holder	Held Since	Reason
				↳ promoter		
				↳ Director		
				↳ Relative		

3.8 - I.A.



(4) for Deletion



- Valuation →
- ① charged Amortization
↓
Method
 - ②
 - ③ Impairment → As 28

Rights & Obligation → Legal Title of ownership → Entity

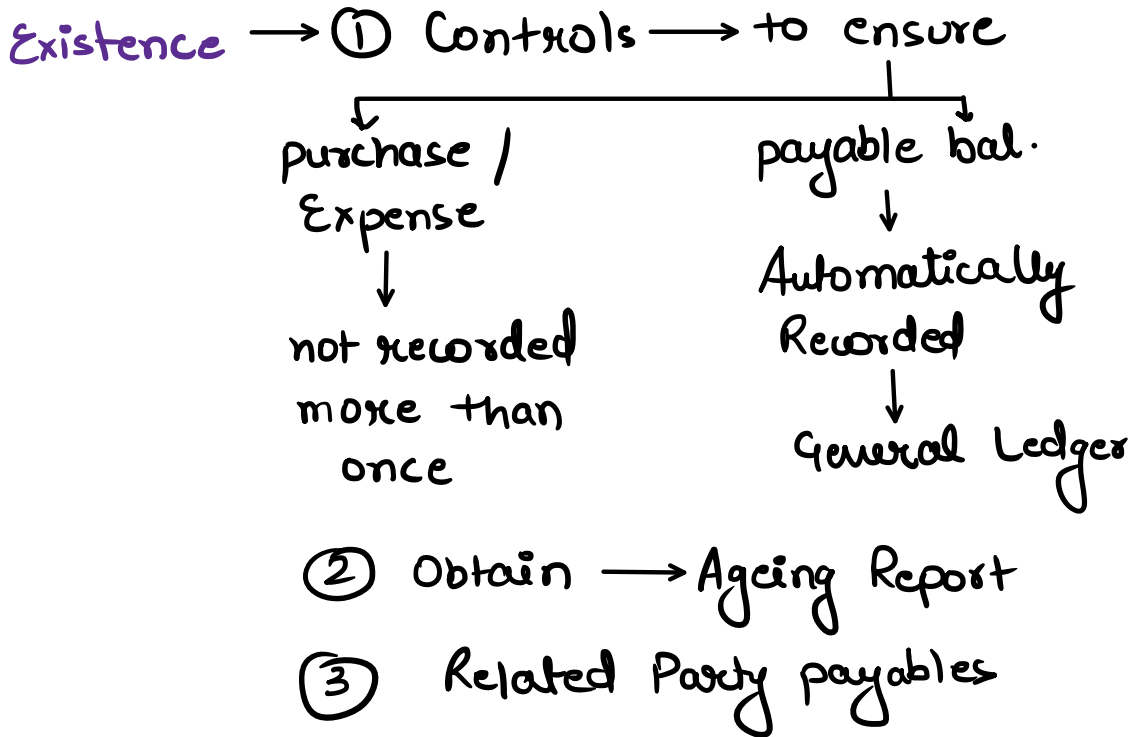
Disclosure

Schedule III (Part I) of The Companies Act, 2013

→ Additional Regulatory Info.

- ① Ageing schedule

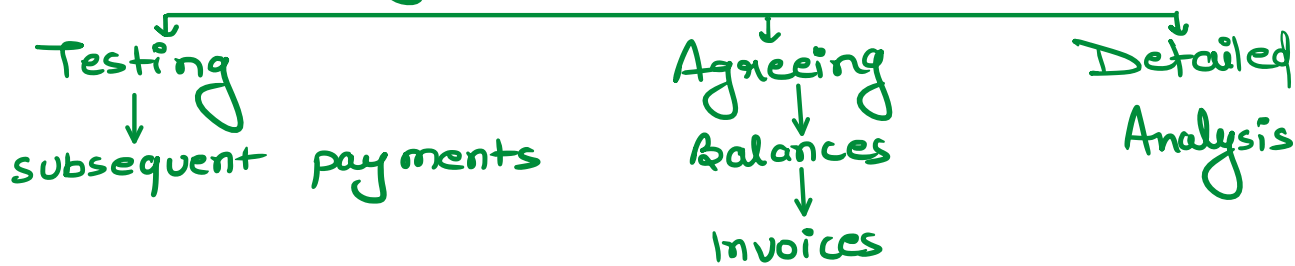
< 1 year	1-2 year	2-3 year	> 3 year
----------	----------	----------	----------



* Direct confirmation Procedure

- ① Contact Vendors $\begin{cases} \rightarrow \text{Directly} \\ \rightarrow \text{Independently} \end{cases}$
- ② For → All significant Account
- ③ Consent of the Entity
- ④ Creditors → confirm Bal. $\begin{cases} \rightarrow \text{Date of B/s} \\ \rightarrow \text{Any other Reasonably close date} \end{cases}$
 ↓
 Decided by Auditor ↔ consultation with Co.
- ⑤ Method of Selection
- ⑥ Investigate → Discrepancies
- ⑦ No Reply Received

⑦ No Reply Received



- Completeness →
- ① Last 5 invoices
 - ② prior pd. goods → Received → Booked
 - ③ Sample Basis
 - ④ purchase Date ← MATCH → Gate Entry Date
 - ⑤ Statutory Dues
 - GST
 - TDS
 - PF
 - ESI

- Valuation →
- ① Old creditor → written back → process
 - ② Ageing of payable
 - ③ write back → Approved → CEO/MD
 - ④ Foreign currency → As 11

Disclosure

↓
Schedule III (Part I) of The Companies Act, 2013

Existence → ① Direct Confirmation Procedures

Completeness →

- ① List of Advances
- ② Verify → Loan Agreements
- ③ Authorised $\begin{cases} \rightarrow \text{MOA} \\ \rightarrow \text{AOA} \end{cases}$
- ④ Inspect → Board's MOM
- ⑤ Related party loans
- ⑥ Balance with statutory Authorities
- ⑦ Statutory Returns → filed?

Valuation →

- ① Allowance for Doubtful Alc
- ② Ageing Report
- ③ Identify > Alc → Appear doubtful
Analyse
- ④ Write-offs
- ⑤ schedule of Movement
- ⑥ Foreign Currency Loans → AS 11

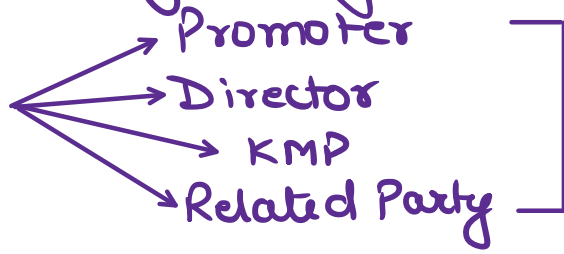
Disclosure



Schedule III (Part I) of The Companies Act, 2013

→ Additional Regulatory Info.

① Loans/
Advances



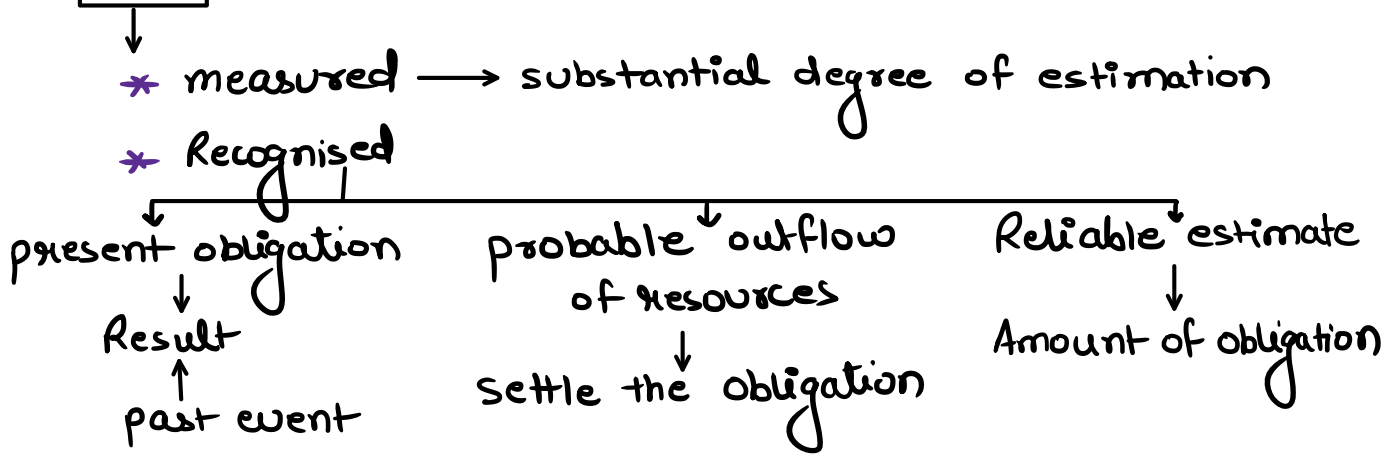
Repayable on Demand

without specifying

Terms period

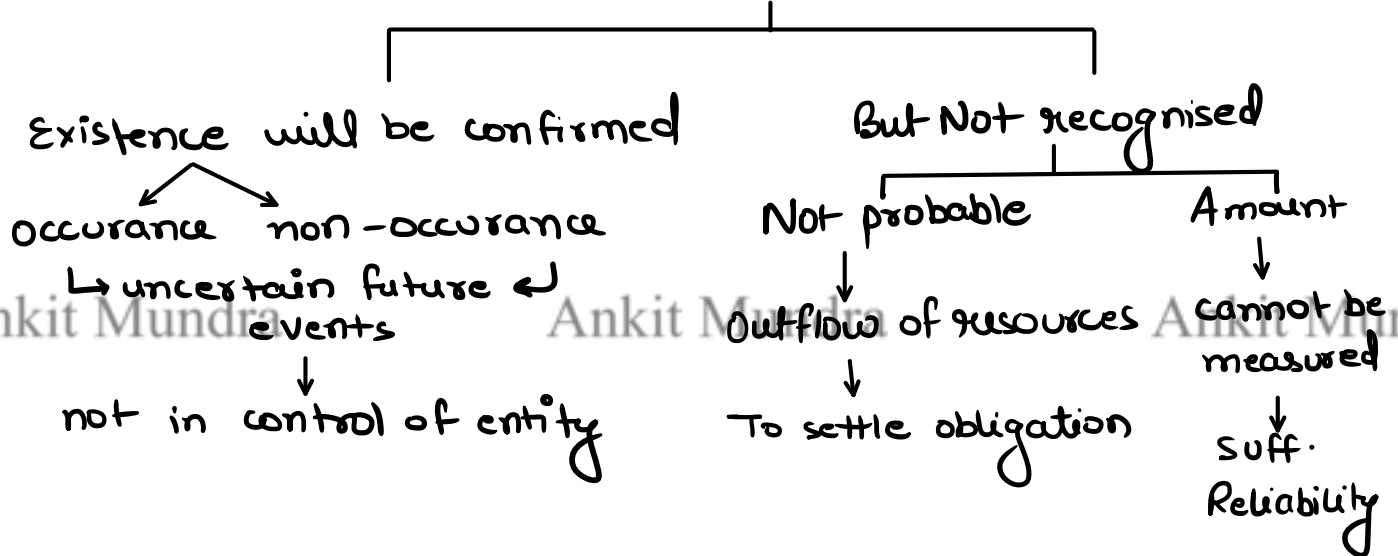
Repayment

3.11 - Provisions and Contingent Liabilities



Contingent Liabilities

possible obligation → past event

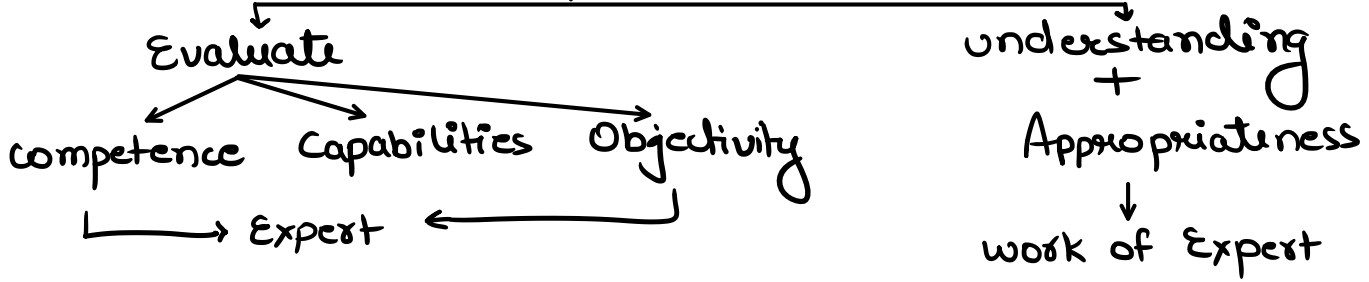


Existence → ① Obtain → List of all provision
 ↓
 Compare → Ledger Balances

② Inspect → underlying Agreement
 ───────────┬──────────
 warranty legal / other
 commitments claims

Valuation → ① Working + Basis → provisions made
 ② Expert Report → Required

② Expert Report → Required



③ Obtain → w.R. → Mgt. → made

All provisions which were required to be made

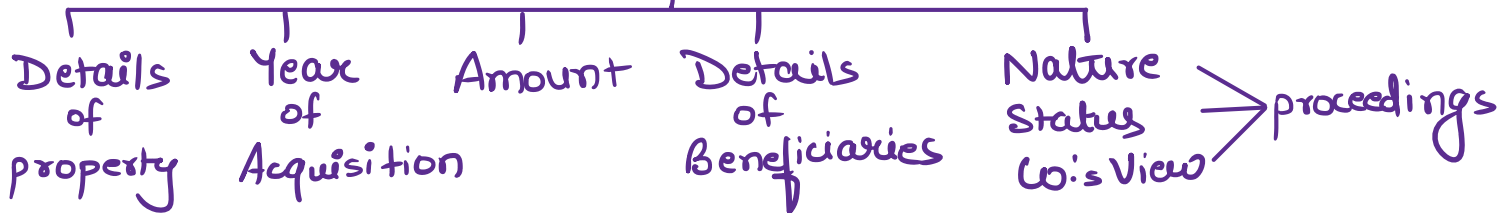
Disclosure

↓
Schedule III (Part I) of The Companies Act, 2013

→ Additional Regulatory Info.

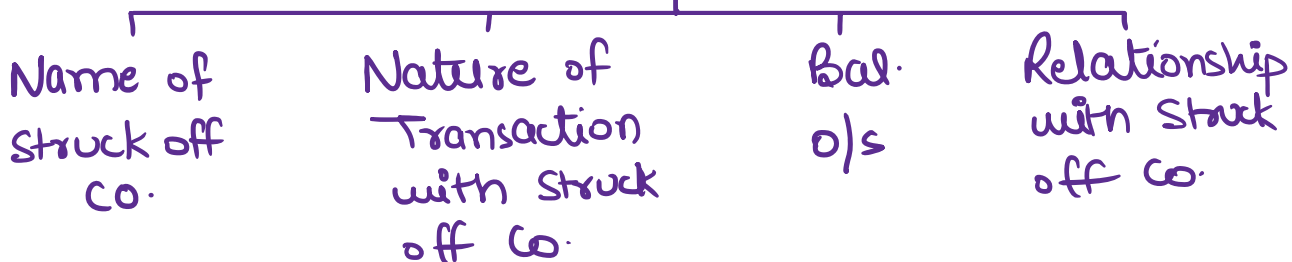
① Details of Benami Property held

↓
Disclose



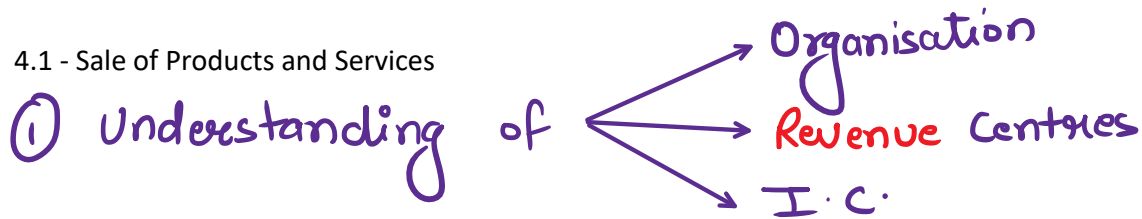
② Relation with struck-off companies

↓
Disclose



4 - STATEMENT OF PROFIT AND LOSS CAPTIONS

4.1 - Sale of Products and Services



② ToC → accordingly → Reduce Substantive Testing

③ select → Random selection of sample

④ Perform → SAP

Occurance → ① Revenue → Not Overstated

(i) Single Invoice → Recorded twice

Cancelled Invoice → Recorded

(ii) Test check → few invoice → Entries

(iii) External Confirmation

(iv) fictitious → customer sale

(v) Uncertainty → collectability

(vi) Customer's obligation → contingent

② Sequence of Journal Entries

③ Entries for unusual transactions

④ sales Return to sales Ratio

Completeness → ① Verify → credit notes

② Trace → shipping docs.

- ② Trace → shipping docs.
- ③ Reconciliation → $\frac{\text{Total Sales}}{\text{Goods Dispatched}}$
- ④ GST → Tax Returns

Measurement

- ① Trace few transaction
↓
Inception to Completion
- ② Export Sales → AS 11
- ③ Understanding → Client operation
→ GAAP

Disclosure

Schedule III (Part II) of The Companies Act, 2013

4.2 - Other Income comprising interest income, dividend income, Gain/Loss on sale of investments etc.

Interest Income on FD

- Occurance →
+
Completeness
+
Measurement
- ① Obtain → List of FD
+
App. Interest Rates
+
No. of Days
- ② Arithmetical Accuracy
- ③ Deposits o/s as at pd. end
- ④ Confirmation of Interest Income
↓
from bank
- ⑤ Copy of Form 26 AS

Dividends

- ① Recognised in → P/L
↓
only when RIGHT TO RECEIVE → established
- ② Verify → Gain / (Loss) → Recorded as
↓
OTHER INCOME
- ③ Obtain → Mutual Fund St.

Disclosure

Schedule III (Part II) of The Companies Act, 2013

→ Additional Info.

① Undisclosed Income

Co.

↓
give details → Any transactions

↓
NOT RECORDED AS INCOME

↙ Surrendered Disclosed ↘

↳ Tax Assessment ←

Ankit Mundra ↓

unless immunity → Any scheme

Ankit Mundra

state → whether

↓
previously

↙ unrecorded related ↘
income assets

↳ properly ←

RECORDED

↓
During the year

① Understanding of
 Organisation
 Production Centres
 I.C.

② Identify → Controls → over purchase

③ ToC → purchase cycle → Determine → Controls
 Effective Not

④ Random selection → Transactions

⑤ Performing → SAP

Occurance → ① Purchases → Not
 under over > stated

(i) Fictitious vendors

(ii) Entry → Security Gate → Inward Register

(iii) Quality Inspection

(iv) GRN
 prepared
 signed

② Original purchase Invoice

③ Invoice → Booked → only ONCE

④ Name of the Entity

⑤ Input Tax

⑥ Related Party Transactions

Completeness → ① Cutoff Test → correct A/c Pd.

+ Measurement ② Check → last 5 transaction

③ correct → A/c Treatment

④ Obtain → w.R.

⑤ Perform → Analytical Procedure



Disclosure

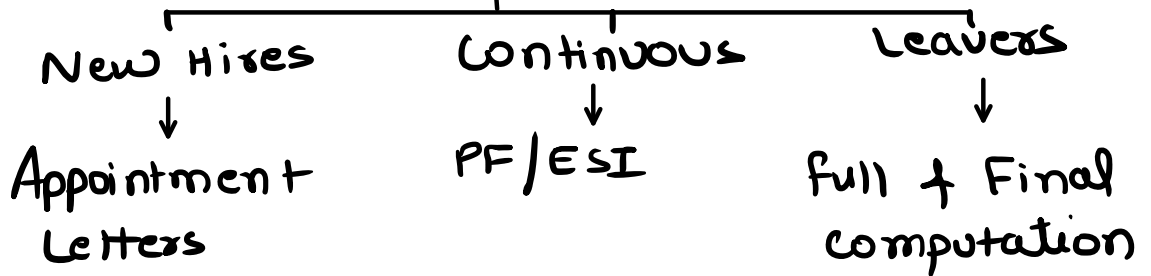


Schedule III (Part II) of The Companies Act, 2013

4.4 - Employee Benefits Expenses

- ① Understanding of
 Organisation
 Hiring
 Appraisal > process
- ② ToC → payment process → Determine → Controls
 Effective Not
- ③ Random selection → Transactions
- ④ Performing → SAP

- Occurance → ① Process of capturing attendance
 +
 completeness
 +
 Measurement
- ② Fictitious Employees
 - ③ sample of employees
 Bank Details
 ID proofs
 - ④ List of Employees



⑤ Perform → Analytical Procedure

Disclosure

↓
Schedule III (Part II) of The Companies Act, 2013

4.5 - Depreciation and Amortisation

① Entity's → Acc Policy → Depreciation / Amortisation

② As per → The Companies Act, 2013 / AS

③ Policy → Applied Consistently / Adequately Disclosed

④ Depreciation / Amortisation → CHARGES (Valid, Accurately Calculated, Appro. pd.)

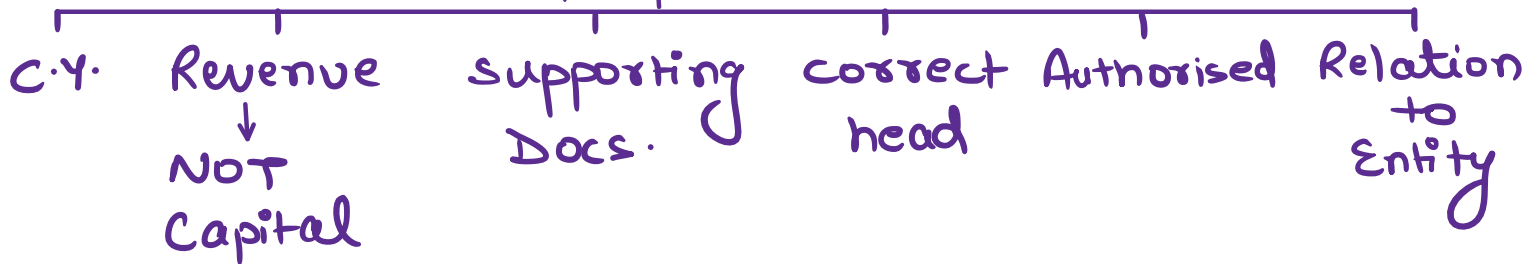
⑤ Obtain → F.A.R.

⑥ Perform → Analytical Procedure

4.6 - Other Expenses like Power and Fuel, Rent, Repair to Building, Plant and Machinery, Insurance, Travelling, Legal and Professional, Miscellaneous Expenses

→ COMBINED QUESTION

Expenditure



* Rent Expense

- (i) Month wise schedule + Rent Agreement
- (ii) Recorded → for all 12 months
- (iii) Escalation clause
- (iv) Agreement → Name of the Entity

* Power & fuel Expense

- (i) Month wise schedule + power bills
- (ii) Recorded → for all 12 months
- (iii) Summary $\left\{ \begin{array}{l} \text{power units consumed} \\ \text{Applicable Rate} \end{array} \right.$
+
Arithmetical Accuracy
- (iv) Monthly Trends

* Insurance Expense

- (i) Summary of policies
- (ii) Validity pd.
- (iii) classification $\left\{ \begin{array}{l} \text{prepaid} \\ \text{c.y.} \end{array} \right\} \rightarrow \text{correct?}$

* Legal & Professional Expense

- (i) Month $\left\{ \begin{array}{l} \text{wise} \rightarrow \text{summary} \\ \text{Consultant} \end{array} \right.$

- (ii) Monthly Retainership Agreement

+ 12 month expenditure \rightarrow Recorded correctly

- (iii) Sample \rightarrow Non-recurring exp.

- (iv) May highlight \rightarrow dispute \rightarrow Entity
- \downarrow Not made any provision \downarrow Not have been discussed to Auditor

* Travel, Repair & Maintenance, Printing & Stationery, misc. exp.

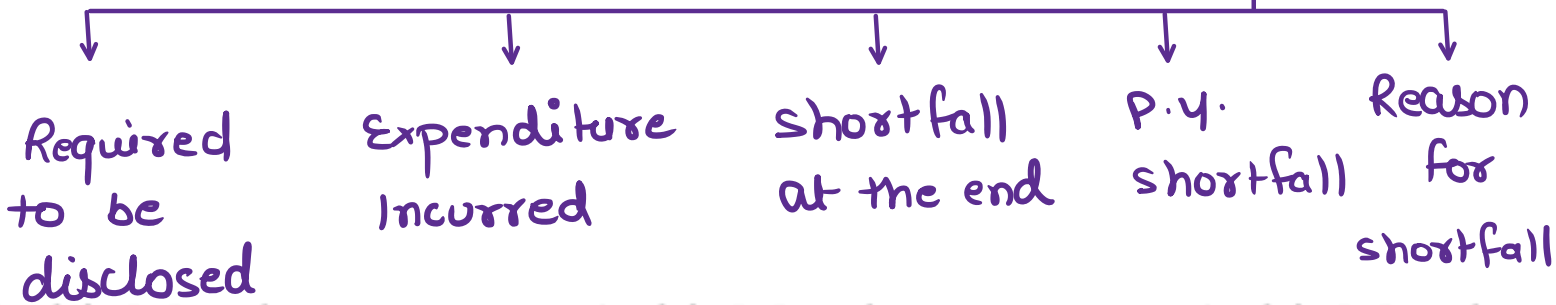
- (i) Sample basis
- (ii) Monthly summary
- (iii) Perform Analytical Procedure

(iii) Perform Analytical Procedure

(iv) Compare $\left\langle \begin{matrix} P.Y. \\ present \\ industry \end{matrix} \right\rangle$ trends + significant variation

→ Additional Info.

① C.S.R. → Sec 135 → Disclose → Amount



② Details of $\left\langle \begin{matrix} Crypto \\ virtual \end{matrix} \right\rangle$ currency

