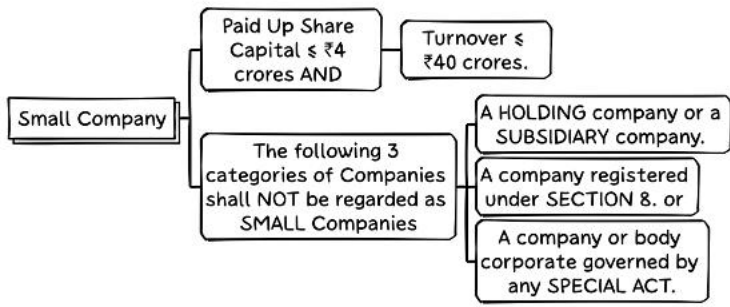
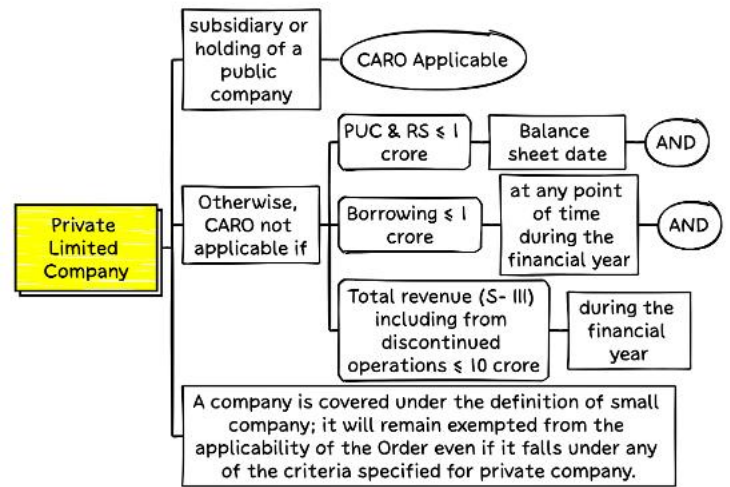
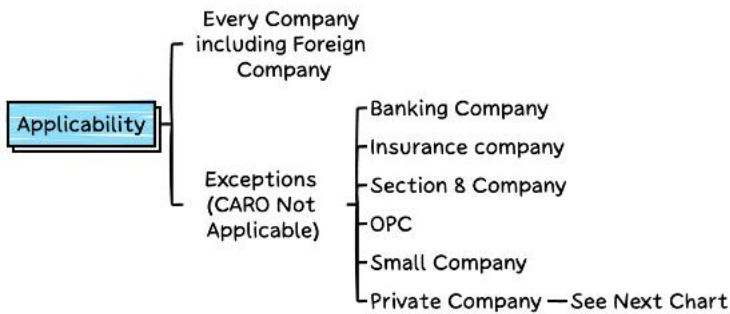
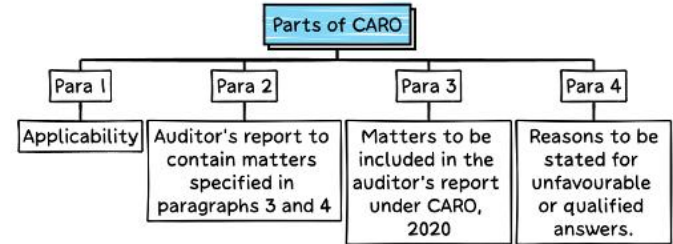
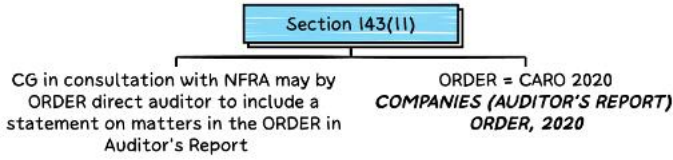


CARO - COMPANIES (AUDITOR'S REPORT) ORDER, 2020



Provision of CARO, 2020 is not applicable to ABC Pvt. Ltd., a subsidiary of XYZ Ltd. (a public company) having fully paid up Capital and Reserves & Surplus of ₹50 Lakhs, Secured loan from bank of ₹90 Lakhs and Turnover of ₹5 Crore, for the financial year 2023-24. (MTP2, May 2021, 3 Marks)

PARA 2
Auditor's report to contain matters specified in paragraphs 3 and 4.

If order is applicable auditor's report shall contain the matters specified in para 3 and para 4 as applicable

Order shall not apply to the auditor's report on consolidated financial statements except clause (xxi) of paragraph 3.

Para 4

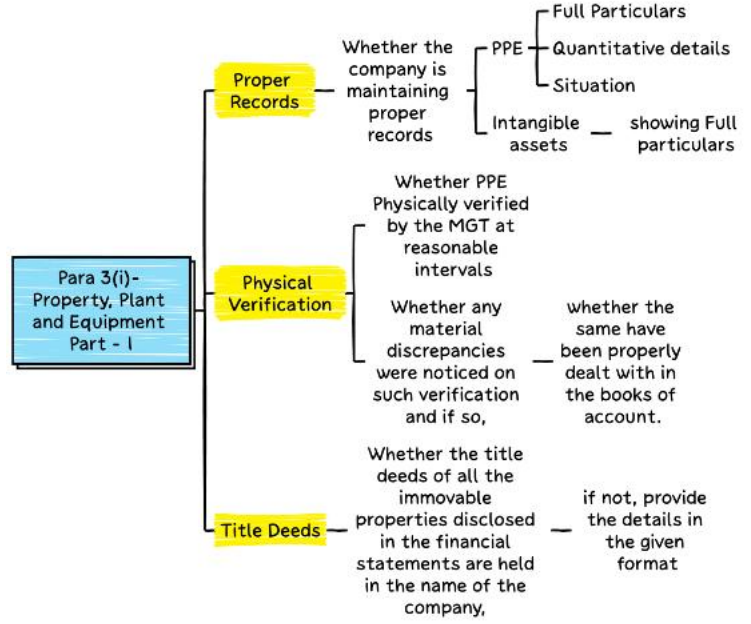
For Unfavorable/Qualified Answers
Auditors must state reasons for such answers in their reports.

When Opinion Can't be Expressed
The report must indicate this fact and include the reasons for it.

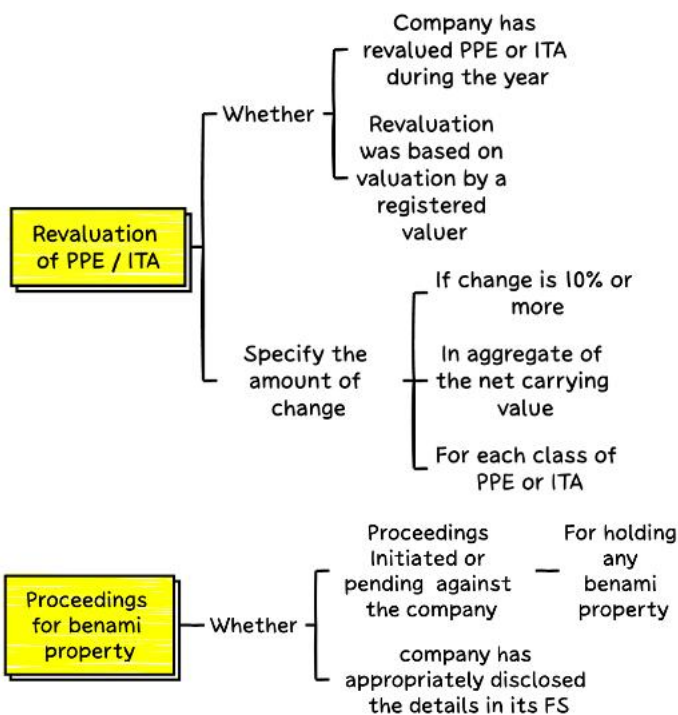
Para 3- Matters to be included in the auditor's report under CARO, 2020

The auditor's report on the accounts of a company to which this Order applies shall include a statement on the following matters, namely

Para 3(i)- Property, Plant and Equipment



Descripti on of property	Gross carrying value	Held in name of	Whether promoter, director or their relative or employee	Period held -indicate range, where appropriate	Reason for not being held in name of company - also indicate if in dispute
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Para 3(ii) - Inventory

Physical Verification, Coverage and Procedure.

Whether physical verification of inventory has been **conducted at reasonable intervals** by the **management** and whether, in the **opinion** of the **auditor**, the **coverage** and **procedure** of such verification by the management is **appropriate**;

Discrepancies of 10% or more

Whether any discrepancies of **10% or more** in the aggregate for each class of inventory were noticed and if so, whether they have been properly **dealt** with in the books of account;

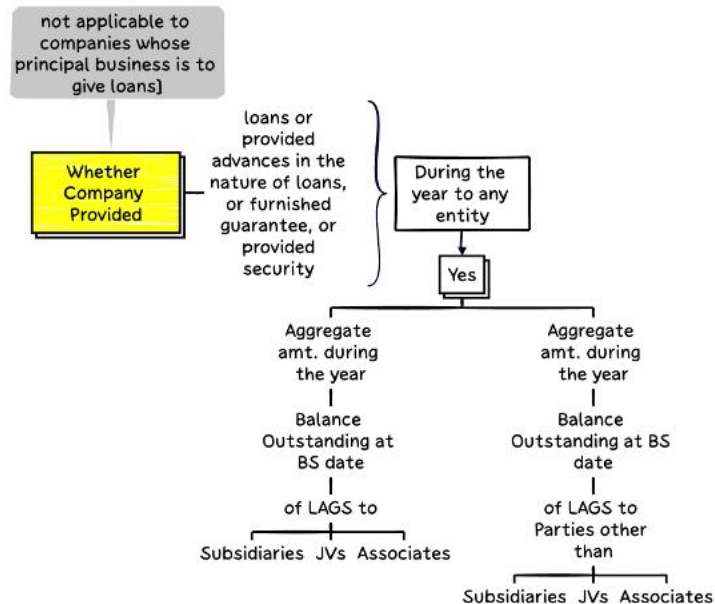
Working capital limits

Whether

- during **any** point of time of the year,
- the company has been **sanctioned** working capital **limits** in **excess of ₹ 5 crore**,
- in **aggregate**, from banks or financial institutions
- on the basis of **security** of **current assets**;
- whether the quarterly **returns** or statements **filed** by the company with such banks or financial institutions are in **agreement** with the **books of account** of the Company, if not, give details;

SKN Ltd. a biopharma company and global manufacturers of select critical care medical products has been sanctioned working capital limits of ₹ 5.99 crores from a nationalized bank on the basis of security of current assets. During the year under audit, the statutory auditor of SKN Ltd. considers that inventory is material to the financial statements and performs audit procedures over the company's final inventory records to determine whether they accurately reflect actual inventory count and without any major discrepancies for each class of inventory. What are the reporting requirements regarding physical verification of inventory under CARO 2020 in this case?

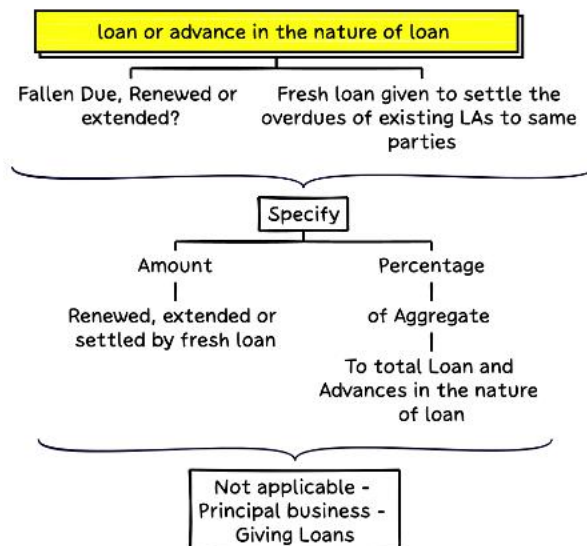
Para 3(iii) - Investment / Guarantee / Security / Loans and Advances

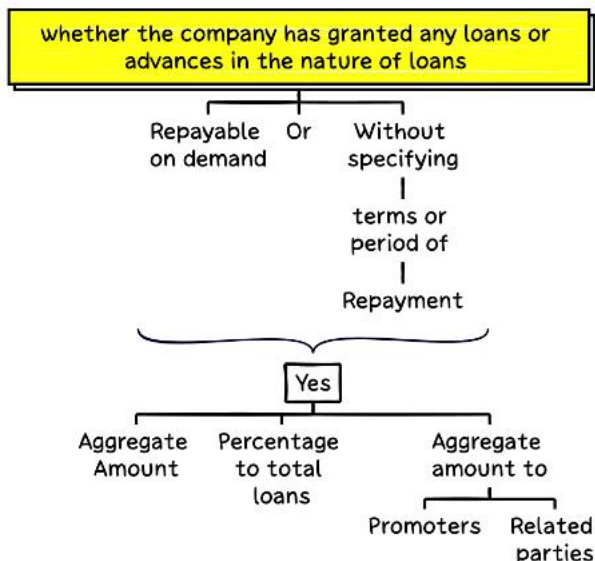


LAGS / Investments made - Whether Terms & Conditions, Prejudicial to company's interest?

In respect of loans and advances in the nature of loans - Whether schedule of repayment of principal and payment of interest stipulated? Whether Repayments - Regular?

If Amount overdue? - **Yes** - total amount overdue for more than 90 days Whether reasonable steps Taken for recovery taken?





Para 3(iv) – Sections 185 and 186

In respect of loans, investments, guarantees, and security, whether provisions of sections 185 and 186 of the Companies Act have been complied with, if not, provide the details thereof;

Para 3(v) – Deposit Accepted

In respect of deposits accepted by the company or amounts which are deemed to be deposits,

- whether the directives issued by the Reserve Bank of India and
- the provisions of sections 73 to 76 or
- any other relevant provisions of the Companies Act and the rules made thereunder, where applicable,
 - have been complied with,
 - if not,
 - the nature of such contraventions be stated;
- if an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal,
 - whether the same has been complied with or not;

Para 3(vi) Cost Records

- Whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act and
- whether such accounts and records have been so made and maintained.