

# Audit of Items of F.S.

## Part-1 Notes to Accounts/Disclosures

### Corporate Social Responsibility (CSR)

Where Co. covered u/s 135 of Cos act, following shall be disclosed with regard to CSR activities:

- (a) amount **required to be spent** by Co. during the year,
- (b) amount of **expenditure** incurred,
- (c) **shortfall** at the end of the year,
- (d) total of **previous years shortfall**,
- (e) **reason** for shortfall,
- (f) **nature** of CSR activities,
- (g) details of **related party transactions**, e.g., contribution to a trust controlled by the Co. in relation to CSR expenditure as per relevant A/c Std,
- (h) where a provision is made w.r.t a liability incurred by entering into a contractual obligation, the **movements in the provision** during the year should be shown separately.

### Round-off

(i) Depending upon Total Income of Co., figures appearing in the F.S. shall be **rounded off** as:

Total Income	Rounding off
(a) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(b) one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

(ii) Once a unit of measurement is used, it should be used uniformly in the F.S.

### Details of Benami Property held

Where any **proceedings** have been initiated or pending **against the Co.** for **holding any benami property** under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder, Co. shall disclose the following:

- (a) **Details** of such property, including year of acquisition,
- (b) **Amount** thereof,
- (c) Details of **Beneficiaries**,
- (d) If property is **in the books**, then reference to the item in B.S,
- (e) If property is **not in the books**, then the fact shall be stated with reasons,
- (f) Where there are proceedings against the Co. under this law as an **abettor of the transaction or as transferor** then details shall be provided,
- (g) **Nature of proceedings**, **status** of same and **company's view** on same.

## Relationship with Struck off Companies

Where the Co. has any transactions with companies struck off u/s 248 of Companies Act, 2013 or section 560 of Companies Act, 1956, Co. shall disclose following details:

Name of struck off Company	Nature of Transactions with struck off Co.	Balance outstanding	Relationship with the Struck off Co., if any, to be disclosed
	Investments in Securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other Outstanding balances (to be specified)		

### Following Ratios to be disclosed:-

- (a) Current Ratio,
- (b) Debt-Equity Ratio,
- (c) Debt Service Coverage Ratio,
- (d) Return on Equity Ratio,
- (e) Inventory turnover ratio,
- (f) Trade Receivables turnover ratio,
- (g) Trade payables turnover ratio,
- (h) Net capital turnover ratio,
- (i) Net profit ratio,
- (j) Return on Capital employed,
- (k) Return on investment.

Debt → Current Inventory  
Trade → Debt → Net Return

- Co. shall explain the items included in numerator and denominator for computing the above ratios.
- Further explanation shall be provided for any change in the ratio by more than 25% as compared to preceding year.

### Details of Crypto or Virtual Currency

Where Co. has traded or invested in Crypto or Virtual Currency during FY, following shall be disclosed:

- (a) profit or loss on transactions involving Crypto currency or Virtual Currency
- (b) amount of currency held as at reporting date,
- (c) deposits or advances from any person for trading or investing in Crypto / virtual currency.

### Undisclosed income

Co. shall give details of any transaction not recorded in the books of a/c that has been surrendered or disclosed as income during the year in tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is

*immunity for disclosure under any scheme* and also shall state whether previously unrecorded income and related assets have been **properly recorded in the books of a/c** during the year.

Other Important Disclosures:

**Utilisation of Borrowed funds and share premium**

(A) Where **Co. has advanced or loaned or invested funds** (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s)/entity(ies), including foreign entities (Intermediaries) with understanding (whether recorded in writing/otherwise) that **Intermediary** shall (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Co. (**Ultimate Beneficiaries**) or

(ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;

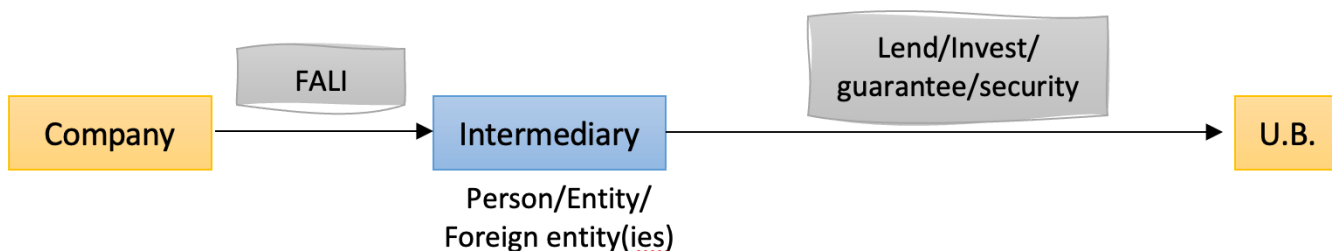
the Co. shall disclose the following:-

(I) **date and amount** of fund advanced or loaned or invested [FALI] in Intermediaries with complete **details of each Intermediary**.

(II) **date and amount of fund further advanced or loaned or invested by such Intermediaries** to other intermediaries or UBs along with complete **details of the UBs**.

(III) **date and amount of guarantee, security** or the like provided to or on behalf of the UBs

(IV) **declaration** that relevant provisions of **FEMA, 1999** and **Companies Act** has been **complied** with for such transactions and transactions are **not violative** of **PMLA, 2002**



(B) Where a **Co. has received** any fund from any person(s)/entity(ies), including foreign entities (**Funding Party**) with understanding (whether recorded in writing/otherwise) that Co. shall

(i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (**Ultimate Beneficiaries**) or

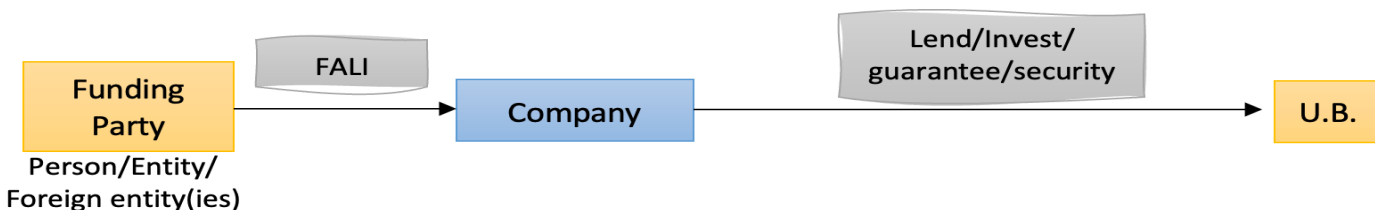
(ii) provide any guarantee, security or the like on behalf of the UBs, the Co. shall disclose the following:

(I) **date and amt of fund received** from FPs with complete **details of each FP**.

(II) **date and amount of fund further advanced/loaned/invested** other intermediaries or UBs along with complete details of other intermediaries or UBs.

(III) **date and amt of guarantee, security** or the like provided to or on behalf of UBs

(IV) **declaration** that relevant provisions of **FEMA, 1999 & Companies Act** has been **complied** with for such transactions and transactions are **not violative** of **PMLA, 2002**.



## Borrowings

### Long- Term Borrowings

(i) Long-term borrowings shall be **classified** as:

- (a) Bonds/debentures
- (b) Term loans:
  - (A) from banks.
  - (B) from other parties.
- (c) Deferred payment liabilities
- (d) Deposits
- (e) Loans and advances from related parties
- (f) Long term maturities of finance lease obligations
- (g) Other loans and advances (specify nature)

(ii) Borrowings shall further be **sub-classified as secured and unsecured**. Nature of security shall be specified separately in each case.

(iii) Where loans have been **guaranteed by directors or others**, agg. amt of such loans under each head shall be disclosed.

(iv) **Bonds/debentures** (along with rate of intt and particulars of redemption or conversion, as case may be) shall be stated in **descending order of maturity or conversion, starting from farthest redemption or conversion date, as case may be**. Where bonds/debentures are redeemable by instalments, **date of maturity** for this purpose must be reckoned as **date on which first instalment becomes due**.

(v) Particulars of any **redeemed bonds/debentures** which Co. has **power to reissue** shall be disclosed.

(vi) **Terms of repayment** of term loans and other loans shall be stated.

(vii) **Period and amount of continuing default** as on B.S. date in repayment of loans and interest, shall be specified separately in each case.

### Other Long term Liabilities

Other Long term Liabilities shall be classified as:

- (a) Trade Payables;
- (b) Others

### Short Term Borrowings:

(i) Short-term borrowings shall be classified as:

- (a) Loans repayable on demand;
  - (A) from banks.
  - (B) from other parties.
- (b) Loans and advances from RPs
- (c) Deposits
- (d) Other loans and advances (specify nature).

(ii) Borrowings shall further be **sub-classified as secured and unsecured**. Nature of security shall be specified separately in each case.

(iii) Where loans have been **guaranteed by directors or others**, agg. amt of such loans under each head shall be disclosed.

(iv) **Period and amount of default** as on B.S. date in repayment of loans and interest, shall be specified separately in each case.

(v) **current maturities of Long term borrowings** shall be disclosed separately.

**Notes:**

1. Where Co. has borrowings from banks/FIs on basis of security of current assets, it shall disclose the following:-

(a) whether **quarterly returns or statements of current assets** filed by the Co. with banks or FIs are in **agreement with the books of a/cs**.

(b) if **not**, **summary of reconciliation and reasons of material discrepancies**, if any to be adequately disclosed.

**Wilful Defaulter\***

Where a Co. is a declared wilful defaulter by any bank/FI or other lender, following details shall be given:

(a) **Date of declaration** as wilful defaulter,

(b) **Details of defaults** (amount and nature of defaults),

\* wilful defaulter" here means a person or an issuer who or which is **categorized** as a wilful defaulter **by any bank or financial institution** (as defined under the Act) or consortium thereof, as per the **RBI guidelines** on wilful defaulters.

**Registration of charges or satisfaction with Registrar of Companies**

Where any charges or satisfaction yet to be regd with ROC beyond the statutory period, details and reasons thereof shall be disclosed.

**Trade Receivables ageing schedule**

	Amt (in ₹)					
Particulars	O/s for following periods from due date of payment #					
	Less than 6 months	6 Months- 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables - considered good						
(ii) Undisputed Trade Receivables - Considered doubtful						
(iii) Disputed Trade Receivables Considered good						

(iv) Disputed Trade Receivables Considered doubtful						
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# similar information shall be given where no due date of payment is specified, in that case disclosure shall be from the date of transaction.

Unbilled dues shall be disclosed separately.

(ii) Trade receivables shall be **sub-classified** as:

- (a) **Secured**, considered good;
- (b) **Unsecured**, considered good;
- (c) **Doubtful**.

(iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(iv) Debts due by

- **directors or other officers of Co.** or any of them either severally or jointly with any other person or
- **firms or pvt Cos.** respectively in which any **director is a partner/director/member** should be separately stated.

### Cash and cash equivalents

(i) Cash and cash equivalents shall be **classified** as:

- (a) Balances with **banks**
- (b) **Cheques**, drafts on hand
- (c) **Cash** on hand
- (d) **Others** (specify nature)

(ii) **Earmarked balances** with banks (for example, for unpaid dividend) shall be separately stated.

(iii) Balances with banks to the extent held as **margin money or security** against the borrowings, guarantees, other commitments shall be disclosed separately.

(iv) **Repatriation restrictions**, if any, in respect of cash and bank balances shall be separately stated.

(v) **Bank deposits with more than 12 months' maturity** shall be disclosed separately

### Inventory

1. □ Whether inventory has been classified as:

- Raw materials
- Work-in-progress
- Finished goods
- Stock-in-trade (goods acquired for trading)
- Stores and spares
- Loose tools
- Others (specify nature).

2. Whether goods-in-transit have been disclosed separately under each sub-head of inventories.

3. Mode of valuation shall be stated.

**Title deeds of Immovable Property not held in name of the Company**

Co. shall provide details of all immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in format given below and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the B.S.	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative of promoter/ director or employee of promoter/ director	Property held since which date	Reason for not being held in the name of the company**
						**Indicate if any dispute

(ii) Where Co. has **revalued its PPE**, it shall disclose as to whether revaluation is based on valuation by **a registered valuer** as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.

**Capital-Work-in Progress (CWIP)**

(a) For Capital-work-in progress, following ageing schedule shall be given:

**CWIP ageing schedule**

CWIP	< 1 Year	1-2 years	2-3 years	> 3 years	Total
Projects in Progress					
Projects temporarily suspended					

For CWIP, whose **completion is overdue or exceeded its cost compared to original plan**, following CWIP completion schedule shall be given:

	To be completed in:				Total
	< 1 year	1-2 years	2-3 years	> 3 years	
Project 1					
Project 2					

(Details of projects where activity has been suspended to be given separately)

(vii) Similar schedules to be given for Intangible Assets under Development

### Trade Payables Ageing Schedule

Particulars	O/s for following periods from due date of payment				Total
	< 1 year	1-2 years	2-3 years	> 3 years	
i) MSME					
ii) Others					
iii) Disputed dues- MSME					
iv) Disputed dues- others					

# similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

*Unbilled dues shall be disclosed separately.*

Loans or Advances in nature of loans granted to promoters, Directors, KMPs and related parties either severally or jointly with any other person, that are:

(a) repayable on demand or

(b) without specifying any terms or period of repayment

Type of borrower	Amt of loan or advance in nature of loan o/s	Percentage to the total Loans and Advances [han wohi]
Promoters		
Directors		
KMPs		
Related Parties		

### Reserves and surplus

(i) Balance at the **beginning** of the reporting period

(ii) **Changes**, if any, due to changes in **accounting policy or prior period error**

(iii) Total **profit/ loss** for the year

(iv) **Dividends**

(v) Transfer to **retained earnings**

(vi) **Any other change** (to be specified)

(vii) **Balance at the end** of reporting period