

## Chapter - 9 "Audit of Items of financial statements" (Lecture-4)

### (ii) Audit of PPE:

✓ Q.1: Certain Revenue Expenses, if incurred for creating an asset or adding to the value of asset by achieving higher productivity, are to be classified as expenditure of Capital nature. Explain with Examples. (4 Marks)

Q.2: Briefly explain the audit procedure to be performed by an auditor while verifying the property, plant and equipments of a company w.r.t to evaluation of "Rights and obligation" assertion. (4 Marks)

### (12) Audit of Intangible fixed assets: - Self study -

### (13) Misc. Provisions:

(A) CSR Activities: If a company is covered U/s 135 of Companies Act, 2013, company shall disclose the following w.r.t. CSR Activities:

(i) Amt. required to be spent during the year.

(ii) Amt. of expenditure incurred.

(iii) Shortfall at the end of year

(iv) Total of Pt's Shortfall

(v) reasons for Shortfall

(vi) nature of CSR Activities

(vii) details of related party transaction

(viii) where a provision is made as to any liability incurred by any contractual obligation movements in provision to be disclosed

(B) Rounding off (for figures in financial statements):

If Total Income  $< 100$  cr.  $\longrightarrow$  Rounding off  $\longrightarrow$  nearest hundreds,  
thousands, or decimals  
lakhs,  
millions

If Total Income  $\geq 100$  cr.  $\longrightarrow$  Rounding off  $\longrightarrow$  nearest lakhs,  
millions or decimals  
crores thereof

(C) Disclosures w.r.t. details of Benami Property:

If any proceedings have been initiated / pending against any company, for holding any benami property, under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder, company shall disclose the following:

- (a) Details of such property, including year of acquisition.
- (b) Amount of such property,
- (c) Details of Beneficiaries;
- (d) If recorded in the books of A/c, reference to the items in B/s.
- (e) If not recorded in the books of A/c, facts shall be stated with reasons.
- (f) Where there are proceedings against the company under this law, details as to nature of proceedings, status of proceedings and company's view on the same should be disclosed.

(d) Disclosure of Ratios:

(i) Current Ratio

(ii) Debt Equity Ratio

(iii) Debt Service Coverage Ratio

$$\frac{\text{Earnings}}{\text{EBIT}} \left( \frac{\text{Principal + Intt.}}{\text{10 Cr. / 1 Cr. + 50 Cr. = 1.50}} \right)$$
$$= 10 \text{ Cr.} / 1.50 = -$$

(iv) ROE Ratio

(v) Inventory T/O Ratio

(vi) Trade Receivables T/O Ratio

(vii) Trade payables T/O Ratio

(viii) Net Capital T/O Ratio

(ix) N.P. Ratio

(x) ROCE

(xi) Return on Investment

Note: In case of any change in ratio by more than 25% as compared to preceding year, explanation for such changes also to be provided.

(e) Details of Crypto Currency or Virtual Currency:

If company has traded or invested in crypto or virtual currency during the financial year, company is required to disclose the following:

(i) Profit/loss on transactions involving crypto or virtual currency.

(ii) Amount of currency held as at the reporting date.

(iii) Deposit / advance taken from any person for the purpose of trading or investing in crypto currency or virtual currency.

