

Chapter 14B - "Audit of NBFC"

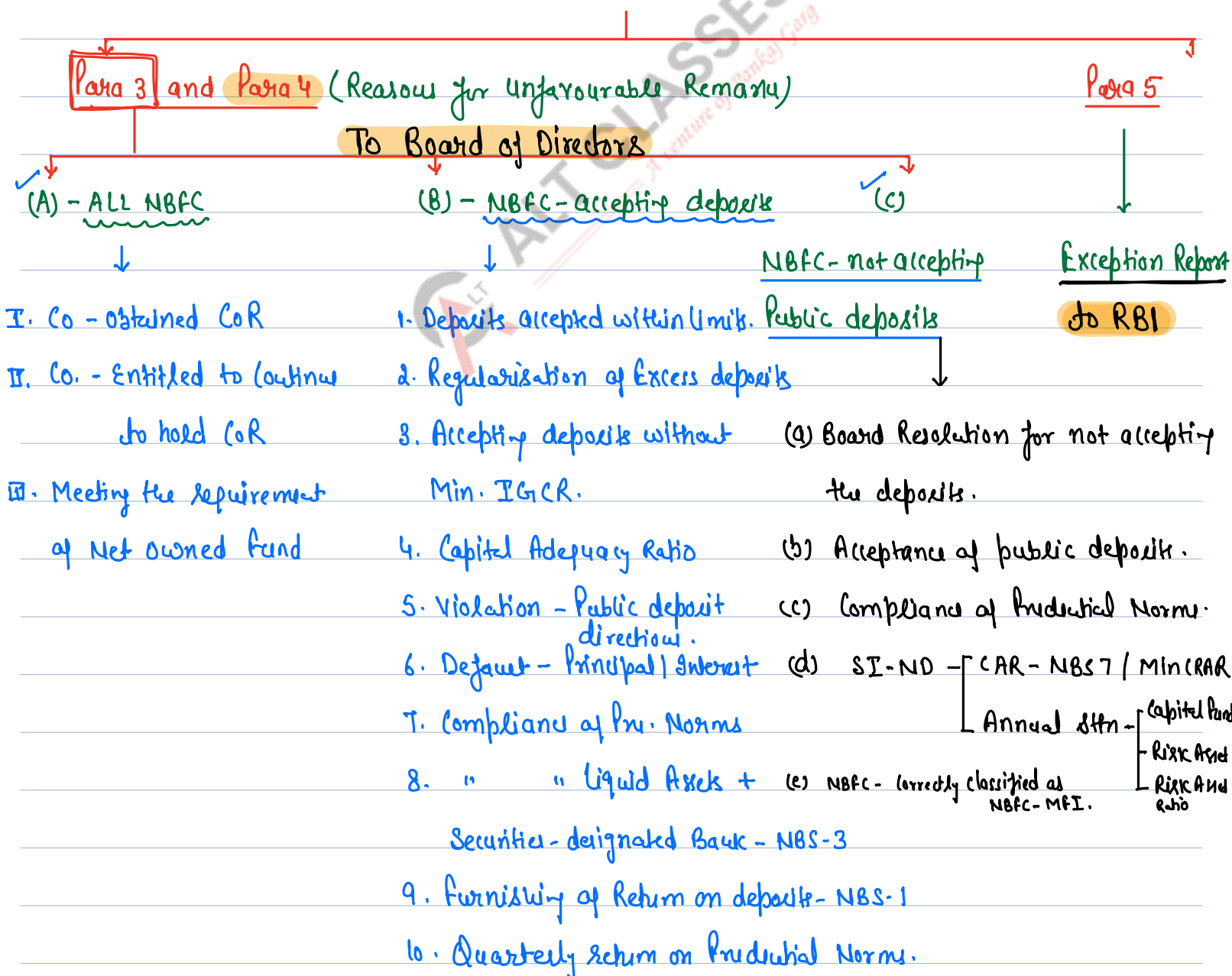
- Topics covered:
- ✓(i) Classification of a company as NBFC
 - ✓(ii) Registration and Regulation of NBFC
 - ✓(iii) Types of NBFC
 - ✓(iv) Prudential Norms
 - ✓(v) Audit Procedure
 - ✓(vi) Classification of Fraud
 - ✓(vii) Audit check List

Monthly Test

↓

Ch - 1, 2, 3, 13

(viii) NBFC Auditor's Report (Reserve Bank) Directions, 2016 :



Exception Report — to RBI [Regional office of Deptt of Non-Banking Supervision]

unfavourable or Qualified
Remarks on any of matters
stated in Para 3

- Non-compliance of :
- (a) Provisions of ch- III B of RBI Act, 1934
 - (b) NBFC Acceptance of Public Deposits (Reserve Bank) Directions, 2016
 - (c) NBFC NSI ND (Reserve Bank) Directions
 - (d) NBFC SI ND and Deposit taking Company (Reserve Bank) Directions.

Note: Reporting shall be in relation to Contraventions Only.

(ix) Compliance with CARO, 2020:

Para 3 (iii)

Whether Co. has made investments; provided Guarantee or security or granted any loan or advance in the nature of loan to companies, firms, LLP or any other parties. (Secured and unsecured)

↓ If YES

(a) whether 11G/IS/TEC of L - are not prejudicial to interests of the company.

(b) In respect of loans/Advances - whether schedule of repayment of Principal and Payment of Interest is stipulated; whether repayment or receipts are regular.

(c) If amt. is overdue, state the overdue amount for > 90 days. and whether reasonable

Para 3 (xvi)

✓ (a) whether Co. is required to be regd. u/s 45-1A of RBI Act, 1934

↓ If so

whether regn. has been obtained.

✓ (b) whether Co. has conducted non banking financial or housing finance activities without holding CoR from RBI.

✓ (c) whether Co. is a Core Investment Co.

↓ If so

whether it continues to fulfill the criteria of CIC; and if it is exempted or unregistered

Steps have been taken for recovery.

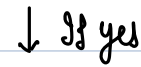
(d) Where Co. has granted any Loan/Advance either repayable on demand or without specifying terms of repayment



Specify - Aggregate amount;
- % age thereof to total amount
- Agg. amt. of loans granted to Promoters and related parties.

CIC, whether it continues to fulfill such criteria.

(d) whether Group has more than one CIC



Indicate the no. of CIC, forming part of the Group.

Meaning of Core Investment Company: NBFC carrying on business of acquisition of share and securities and satisfy the following:

(a) $\geq 90\%$ of net Assets - Equity share, P. share Bond, debⁿ, debt, loan in group companies.

+

(b) $\geq 60\%$ of net Assets - Equity shares of Group Cos. + units of JST (as sponsor)

+

(c) No trading in the investments in share, debⁿ, bonds, debt, loan - [Exception - Block Sale for dilution or disinvestment].

+

(d) does not carry out other financial activity.

(X) Applicability of Ind-AS on NBFC: NBFC are required to comply with Ind-AS



For accounting period beginning 01.04.2018



All NBFC (listed and unlisted) - New ≥ 500 cr including - holding, sub, J.V. and Associates



For Accounting periods beginning 01.04.2019



Other NBFC (listed and unlisted) - New ≥ 250 cr - < 500 cr including HIs/AI/IV.

- (xi) Schedule III :
- D-I → F.S. of Entities → AS
 - D-II → F.S. of Entities → Ind AS
 - D-III → F.S. of NBFC → Ind AS

Imp-

Difference between Division II and Division - III : LEARNING and Noting - H.W.

D-III	D-II
(i) Liquidity + Classification $\left\langle \begin{matrix} f \\ NF \end{matrix} \right.$	Liquidity - not allowed + Classification $\left\langle \begin{matrix} C \\ NC \end{matrix} \right.$
(ii) Other Income - sep. dis. - <u>> 1% of T.I.</u> " Exp.	Any Item of Income - sep. dis. - $\left\langle \begin{matrix} 1\% - RFO \\ \text{or} - \text{Higher} \\ \text{₹ 10 L} \end{matrix} \right.$ Exp.
(iii) Sep. disclosure - Receivable - LLP] Disclomres not required
(iv) " " - Trade " - Credit Risk	
(v) " " - Restrictions on dis. attached to st. Res.	
(vi) Dis. - RFO + OCI - Face of S-Pel.	Notes.