Chapter - 7 "Reporting"

Part - I — SA 700–799

(1) SA 700
(2) SA 705
(3) SA 706
(4) SA 701
(5) SA 710
(6) SA 720

Part - II – Misc. Topics

(7) Notes on Accounts;
Qualifications;
Audit Reports and Certificates
(8) Reporting under Companies Act, 2013 - Sec. 143

Part - III — CARO, 2020

(9) CARO, 2020

Topics No. 1 to 8 – Pre-recorded lectures

(9) **CARO, 2020:** Sec. 143(11) of Companies Act, 2013
↓
C.G. may prescribe certain companies requiring their auditor to report on matters covered in the Order.

ALT CLASSES A venture by Pankaj Garg

Applicability of CARO, 2020: CARO, 2020 shall apply to every company including foreign company, except:

(i) Banking companies
(ii) Insurance "
(iii) Companies licenced to operate u/s 8 of Companies Act, 2013
(iv) OPC and Small company
(v) Pvt. Ltd. company (not being a Sub. or holding of Public co.)
 (a) PUC + R&S ≤ 1 Cr. ; and
 (b) Borrowings (Banks, F.I.) at any point of time ≤ 1 Cr.; and
 (c) Total Revenue (including discontinuing op.) ≤ 10 Cr.

CARO Applicable over Pvt. Co. – (i) If it is not a small company ; or
(ii) If it is a Sub. or holding of Public Co. ; or
(iii) If its PUC + R&S > 1 Cr ; or
(iv) If its borrowings > 1 Cr. ; or
(v) If its total revenue > 10 Cr.

Small Company: Company other than a public company, having
Sec. 2(85)
(a) Paid-up share capital ≤ 4 Cr.
AND
(b) T/o as per last P&L A/c for immediate preceding FY ≤ 40 Cr.

ALT CLASSES
A venture of Pankaj Garg

Example: Mr. X, Auditor of ABC (P) Ltd. for financial year 2024-25 requires advice on applicability of CARO, if
PUC of ABC (P) Ltd. = ₹ 3 Cr.
Turnover for FY 23-24 = ₹ 35 Cr.

Ans: CARO not applicable as it is a Small Company.

Example: Whether CARO is applicable over XYZ (P) Ltd (which is a subsidiary of AB Ltd.) having
PUC = ₹ 70 lakh
Turnover for last P&L = ₹ 8 Crores.

Ans: CARO applicable as XYZ (P) Ltd. is a subsidiary of AB Ltd. and exemption not available to a subsidiary co.

Company

- Public company
  - ↓ CARO - Applicable
- Private company
  - Holding / Sub. of Public company
    - ↓ CARO - applicable.
  - holding / Sub. of Private company
    - ↓ Not a Small company
    - ↓ Check Limits of Pvt. Ltd. Co.
      - (a) PUC + R&S ≤ 1 Cr ; and
      - (b) Borrowings ≤ 1 Cr ; and
      - (c) Total Revenue ≤ 10 Cr.
    - Conditions Not Satisfied → CARO applicable.
    - Conditions Satisfied → CARO not applicable
  - Not a holding or Subsidiary of another company
    - ↓ Check whether it is a Small co.
    - YES (CARO not applicable)
    - NO
      - ↓ Check limits of Pvt. Ltd. Co.
        - (a) PUC + R&S ≤ 1 Cr and
        - (b) Borrowing ≤ 1 Cr and
        - (c) Total Rev. ≤ 10 Cr
      - Conditions Not Satisfied → CARO applicable.
      - Conditions Satisfied → CARO not applicable.

ALTCLASSES

Note: CARO, 2020 shall not apply to auditor's report on Consolidated F.S.
except Para 3(xxi)
(Qualification / adverse remarks by auditor of components in their (Sub. / Associate) CARO reports) – If yes. – details of Companies and Para No. containing Q / A.

Matters to be included in Audit Report: (Para 3) Para 3 (i) – Para 3(xxi)

Para 3 (i) → Property, Plant and Equipment:

(A) Adequacy of Records: Proper records – full particulars – including Quantitative details and situation - PPE
Full particulars – Intangible assets

(B) Physical verification: Mngt. – reasonable Interval
Discrepancies noticed → dealt in books of account.

(C) Title deeds: of Immovable properties (other than leased assets) are in name of co.
If not – Description; G.C.V, Name; P/D/R/E; Period; Reason

(d) Revaluation PPE / Intangible Assets – If yes → Regd. Valuer
→ specify change ≥ 10% of more in Net Carrying Value for each class of asset.

(e) Proceedings under B.T. (P.) Act, 1988: Initiated / pending
adequate disclosures made in F.S.

Para 3 (ii): Inventories: (a) Physical verification: By management at reasonable interval;
Coverage and procedure – appropriate
Discrepancies ≥ 10% - each class of inventory
Dealt properly in books of account.

ALT CLASSES A venture of Pankaj Garg

(b) Working Capital limits : Sanctioned W.C. > 5 Cr. - (Aggregate)
↓
If yes → Quarterly returns - are in agreement with books of account.

Para 3 (iii): Whether Co. has made investments ; or provide any guarantee ; or security ; or grant any loan or advance in nature of loan

- Company
- Firm
- LLP
- any other party

↓ If yes

(a) L/A/G/S
- Sub, Associates, J.V. → (a) Ag. Amt. (b) O/s Balance
- Other parties → (a) Ag. amt. (b) O/s Balance

(b) I/G/S/L/A —— not prejudicial to Interests of Company

(c) L/A
- Whether Schedule of repayment of Principal / payment of Interest is stipulated.
- whether repayment / receipts — are regular.

(d) L/A. – amt. – Overdue – State the amount > 90 days
State whether reasonable steps taken by Co. for recovery.

(e) L/A – due during the year — renew / extend / fresh loan
↓ If yes.
- Ag. amt. of such loan - renewed / extended / fresh
- % age of such loan in total amount of loan.

(f) L/A.
- repayable on demand
or
- without specifying terms of repayment

→ If yes. →
- Ag. amount of such loans
- % age of such loan in total
- Ag. amt. — Promoter / R.P.

ALT CLASSES
A Venture of Pankaj Garg

Para 3 (iv): In respect of L|I|G|S → whether provisions of Sec. 185 and 186 of Companies Act, 2013 – have been complied with

↓

If not – provide the details thereof.

Para 3 (v): In respect of deposits accepted by Company Or amount deemed to be deposit → whether Directives of RBI; and provisions of Secs 73-76 and other relevant provisions of Companies Act, 2013, have been complied with

↓ If not

State the nature of Contravention.

If any order passed by CLB | NCLT | RBI | Court | Other Tribunal

↓

whether same has been complied with or not.

Para 3 (vi): **Cost Records:** whether maintenance of Cost records specified by C.G. u/s 148(1)

↓

whether such accounts and records have been so made and maintained.

ALT CLASSES A venture of Pankaj Garg

Para 3 (vii): Statutory dues

Undisputed

↓

whether company is regular in depositing the undisputed statutory dues with appropriate authorities

↓

If not, O/s amt. > 6M as on B/s date – to be reported

Disputed

↓

(a) Amount under dispute

(b) Forum where dispute is pending.

Example: – Audit for FY 2024-25 (B/s date 31.03.2025)

	Due Date	Actual date of payment	Nature of reporting
(i)	15.06.2024	20.12.2024	Irregular
(ii)	15.09.2024	10.04.2025	" ; O/s amt as on 31/03/25
(iii)	15.10.2024	20.05.2025	"
(iv)	15.11.2024	10.11.2024	Regular
(v)	10.12.2024	08.01.2025	Irregular

Para 3 (viii): Unrecorded Income!

↓

whether any transaction not recorded in books of A/c – surrendered/disclosed as INCOME during the year in tax assessments under the Income-tax Act, 1961;

↓ If so

whether previously unrecorded income has been properly recorded in books of account during the year.

ALT CLASSES