

CHARTERED ACCOUNTANTS

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| TAX AUDIT |
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CHECK - LIST

Name of the assessee .....

Address .....

Permanent Account Number .....

Status .....

Previous year ended 31 st March .....

Assessment year.....

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| <p>7. (a) If firm or Association of Persons, indicate names of partners/ members and their profit sharing ratio.<br/> (b) If there is any change in the partners / members or their profit-sharing ratios, the particulars of such change.</p> <ul style="list-style-type: none"> <li>• Obtain a true copy of the partnership deed signed by all the partners.[D-1]</li> <li>• Obtain a true copy of the amendment / admission / retirement deed and get a declaration stating that there has been no change in the profit sharing ratios during the year by all the partners.[D-2]</li> </ul>   |  |
| <p>8. (a) Nature business or profession<br/> (b) If there is any change in the nature of business or profession, the particulars of such change.</p> <ul style="list-style-type: none"> <li>• See the nature stated in partnership deed, Sales Tax Registration Certificates, Shop Act Licence, MA &amp; AA</li> <li>• Get declarations stating that there has been no change in the nature of business?</li> <li>• If there is any change in the nature, go through the final accounts to find out any disallowance.</li> </ul> <p>See whether the nature of business has affected the nature of expenses like revenue or capital</p>   |  |
| <p>9. (a) Whether the books of accounts are prescribed under section 44AA, if yes, list of books so prescribed.<br/> (b) Books of accounts maintained.<br/> (In case books of accounts are maintained in a computer system, mention the books of accounts generated by such computer system)<br/> (c) List of books of accounts examined.</p> <ul style="list-style-type: none"> <li>• Get a list of books of accounts maintained by the assessee.[D-3]</li> <li>• Which accounting package they are using for computerization of accounts.</li> </ul> <p>List the total page numbers of books maintained for your reference</p>   |  |
| <p>10. Whether the profit &amp; loss account includes any profits &amp; gains assessable on presumptive basis, if yes, indicate the amount and the relevant section(44AD, 44AE, 44AF, 44B,44BB,44BBA,44BBB or any other relevant section)</p> <ul style="list-style-type: none"> <li>• 44AD:-<i>Special Provision for Computing Profit &amp; Gains of business of Civil Construction etc. [8%]</i></li> <li>• 44AE:- <i>Special Provision for Computing Profit &amp; Gains of business of Plying ,Hiring or leasing goods carriages.</i></li> <li>• 44AF:- <i>Special Provision for Computing Profit &amp; Gains of Retail Business[5%]</i></li> <li>• 44B:- <i>Special Provision for Computing Profit &amp; Gains of Shipping Business in the case of non-residents.[7.5%]</i></li> </ul> |  |

- *44BB:- Special Provision for Computing Profit & Gains in connection with the business of exploration etc of mineral oils [10%]*
- *44BBA:- Special Provision for Computing Profit & Gains of business of operation of air craft in the case of non-residents [5%]*
- *44BBB:- Special Provision for Computing Profit & Gains of Foreign companies engaged in the business of Civil Construction etc. in certain turn-key projects.[10%]*

For all of the above take a declaration that the activity is the same & no other activity is being conducted.[D-4]

**11.(a)Method of accounting employed in the previous year.**

**(b)Whether there has been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding year.**

**(c)If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss.**

**(d)Details of deviation, if any, in the method of accounting employed in the previous year from accounting standards prescribed under section 145 and the effect thereof on the profit or loss.**

(a) Accounting of expenses and income, should be checked. The income items should also be confirmed for their accounting treatment. Expenses and income heads of the following accounts should also be checked for comparing with the previous year accounting method.

\* Fixed deposit interest, \* Insurance expenses & Claims, \* Sales-tax refund. \* Income-tax refund. \*Excise Duty Payments and MODVAT \* Cash incentives \*

(b) Check the amount accounted for bad debts, and amounts recovered out of previous bad debts.

(c) Check the year end entries in journal for the expenses provided and see the method of providing expenses is as same as of earlier year. Similarly payment entries in the beginning of the year should also be checked for checking the way of dealing with expenses and provisions.

(d) In case of any change in the method of accounting, work out the amount of difference caused due to such change. Get a declaration from the party confirming the change in accounting method. Also mention in the report for the effect of the change.

(e) Significant accounting policies as are referred to in the final accounts

as required by Accounting Standard 1 (AS1) "Disclosure of Accounting Policies" of the Institute of Chartered Accounts of India (ICAI) should also be considered. The policy may differ in respect of the following.

\*Methods of Depreciation, \*Depletion and amortization, Treatment of expenditure during construction, conversion of translation of foreign currency items,\* valuation of inventories,\* treatment of goodwill, \*valuation of investments ,\*treatment of retirement benefits, \*Recognition of profit on long-term contracts, \*Valuation of fixed assets , \*Treatment of contingent liabilities.

(g) Also refer AS-5 "Prior period and Extra ordinary items and changes in Accounting Policies" of the ICAI.

- The CBDT's Circular No.9949 Dt.25-1-1996 has stated the Accounting Standards

**The Accounting Standard I relating to disclosure of accounting policies**

- Disclose the significant accounting policies <sup>(1)</sup> adopted by the concern.
- Any change in the accounting policy must be stated in the report.
- Impact of such a change may be minor on the previous year, but significant on further years must be also stated.
- Any deviation while applying the Accounting Policy adopted by the concern in respect of Prudence, Substance over Form, or Materiality must also be reported.
- Any deviation from the fundamental accounting assumptions [*like. Going Concern, Consistency, & Accrual*] must also be reported.

**The Accounting Standard II relating to disclosure of Prior period <sup>(2)</sup> and Extra ordinary items <sup>(3)</sup> and changes in accounting policies.**

- Check whether all prior period items [*if any*] are separately stated in final accounts.
- Check any Extra-ordinary Item reflected in Income or Expenditure side.
- Any change in the accounting policy due to [1] removing the wrong accounting treatment followed for last years or [2]

make proper presentation of final accounts may be accepted.

- The material effect of change in the accounting policy should be disclosed. If the effect is not ascertainable, such fact should be stated.
- The effect of any change in the accounting estimates <sup>(4)</sup> must also be stated.
- The question of whether the change is due to change in accounting policy or estimates, such a question must be referred to Board for decision.

(1) Accounting Policies :- Specific Accounting Principles & the methods of applying those principles adopted by the assessee in preparation of financial statements.

(2) Prior Period Items :- Material Charges or credits which arises in the previous year as a result of errors or omissions in the preparation of the financial statements of one or more previous years. [Provided that charge or credit arising on the outcome of a contingency, which at the time of occurrence could not be estimated accurately shall not constitute the correction of an error but a charge in estimates and such an item shall not be treated as prior period item. ]

(3) Extra Ordinary Item :- Gains or Losses which arise from events or transactions which are distinct from the ordinary activity of the business and which are both material and expected not to recur frequently or regularly. Extra ordinary items includes material adjustments necessitated by circumstances which though related to years preceding to the previous years are determined in the previous year. [Provided that income or expenses arising from the ordinary activities of the business or profession or vocation of an assessee though abnormal in amount or infrequent in occurrence shall not qualify as extra ordinary item.]

(4) Accounting Estimates :- An estimate made for the purpose of preparation of financial statements which is based on the circumstances existing at the time when the financial statements are prepared

**12.(a) Method of valuation of closing stock employed in the previous year.**

**(b) Details of deviation, if any, from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss**

(a) The method of valuation for opening stock is also relevant, as the mention of change in method has also to be reported. If we are not sure of method, we have to get a declaration from the assessee about the method of valuation.

(b) If no stock records are maintained, confirm as to what books are

declared by the assessee, also we have to state the fact that, '*As no stock records are maintained by the assessee we have to rely on the declaration given by the assessee, and the details as mentioned in point no.28 of this form are presented, as they are received from the assessee.*' Also get a declaration from the assessee to this effect.

(c) Check the instructions issued by the concern to the personnel regarding verification and valuation of stock-in-trade and W. I. P. compare the same with last year for working out the change in method.

(d) as per the requirements of AS-2 Disclosure required

Point-26. The financial statements should disclose:

(a) the accounting policies adopted in measuring inventories, including the cost formula used; and

(b) the total carrying amount of inventories and its classification appropriate to the enterprise.

Point-27. Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users. Common classifications of inventories are raw materials and components, work in progress, finished goods, stores and spares, and loose tools.

(e) In case of change in the method, the effect on profit or loss should be stated.

(e) Try to attend the stock taking and study the way assessee takes stock and test check the valuation procedure.

(f) Obtain stock certificate in the format as recommended in the Institute's Publication, i.e. Statement on Auditing Practices which is reproduced in Chapter 7.

(g) The following guidelines given in SAP – 11, for this item are also should be kept in mind while finalising any notes.

**STATEMENT ON STANDARD AUDITING PRACTICES 11 [Representations by Management]**

10. Inventories at the year-end consisted of the

following:

Raw Materials (including components)

Rs .....

Work-in-Process

Rs .....

Finished Goods (including by-products)

Rs .....

Maintenance supplies and Stores and Spare Parts

Rs .....

Loose

Tools

Rs .....

Others (specify each major head separately)

Rs .....

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Total Rs .....

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11. All quantities were determined by actual physical count or weight or measurement that was taken under our supervision and in accordance with written instructions, on ..... (date/dates of physical verification), except as follows:

1 .....

1 Where physical verification of inventories is carried out at a date other than the closing date, this paragraph may be modified as below:

Inventories recorded in the books as at .....(date of balance sheet) aggregating to Rs. .... are based upon the physical inventories taken as at ..... (date of physical verification) by actual count, weight or measurement. The material discrepancies noticed on physical verification of stocks as compared to book records have been properly dealt with in the books of account and subsequent transactions recorded in the accounts fairly reflect the changes in the inventories up to ..... (balance sheet date).

12. All goods included in the inventory are the property of the entity, none of the goods are held as consignee for others or as bailee, and, except as set out below, none of the goods are subject to any charge.

13. All inventories owned by the entity, wherever located, have been recorded, including goods sent on consignment.

14. Inventories do not include goods sold to customers for which delivery is yet to be made.

| <p>15. Inventories have been valued on the following basis/bases:</p> <ul style="list-style-type: none"> <li>Raw Materials (including components)</li> <li>Work-in-Process</li> <li>Finished Goods (including by-products)</li> <li>Maintenance supplies and Stores and Spare Parts</li> <li>Loose Tools</li> <li>Others (specify each major head separately)</li> </ul> <p>(In describing the basis/bases of valuation, the method of ascertaining the cost (e.g. FIFO, Average Cost or LIFO) should also be stated.</p> <p>Similarly, the extent to which overheads have been included in the cost should also be stated.)</p> <p>16. The following provisions have been made in respect of excess, slow-moving, damaged, or obsolete inventories and these, in our view, are adequate.</p> <p>17. No item of inventories has a net realisable value in the ordinary course of business, which is less than the amount at which it is included in inventories.</p> <p>18. The basis/bases of valuation is/are the same as that/those used in the previous year, except as set out below:</p> <table border="0"> <thead> <tr> <th>Class of inventory</th> <th>Basis of Valuation</th> <th>Effect of change in Basis of Valuation</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> | Class of inventory | Basis of Valuation                     | Effect of change in Basis of Valuation |  |  |  |  |  |
|---|--------------------|--|--|--|--|--|--|--|
| Class of inventory  | Basis of Valuation | Effect of change in Basis of Valuation |  |  |  |  |  |  |
|   |                    |  |  |  |  |  |  |  |
| <p><b>13. Amounts not credited to profit and loss account, being-</b></p> <ul style="list-style-type: none"> <li>(a) the items falling within the scope of section 28</li> <li>(b) the Performa credits ,drawbacks ,refunds of duty of customs or excise, or refunds of sales tax ,where such credits, drawbacks or refunds are admitted as due by the authorities concerned;</li> <li>(c) escalation claims accepted during the previous years;</li> <li>(d) any other item of income</li> <li>(e) capital receipt, if any</li> </ul> <ul style="list-style-type: none"> <li>• The Items admitted by the authorities will mean the items admitted before the closing up of the accounts.</li> <li>• Take a declaration from the client the details as in declaration [D-5]</li> <li>• Though the receipts are declared as not coming under this point, go through the records.</li> <li>• Obtain a copy of order passed regarding the declarations given.</li> <li>• If cash system is followed, such fact should be stated in report.</li> <li>• Following items should be checked for netting up of expense and income</li> </ul> <p>1. Discounts given to debtors &amp; sales.</p>  |                    |  |  |  |  |  |  |  |

2. Set off for sales tax with sales or purchases. [*Confirm the Accounting Policy*]

3. Discounts received from creditors & purchases.

4. Bank charges, Transportation charges to be reimbursed from debtors & Sales.

5. Interest received on F. D. s in bank and loan interest charged by bank.

6. Repairs and insurance claims received.

7. Discounts given and received.

**14. Particulars of depreciation allowable as per the Income-tax Act, 1961 in respect of each asset or block of assets, as the case may be, in the following form:-**

**(a) Depreciation of asset/block of assets.**

**(b) Rate of depreciation.**

**(c) Actual cost or written down value, as the case may be.**

**(d) Additions/deductions during the previous year with dates; in the case of any additions of an asset, date put to use; including adjustments on account of-**

**(i) Modified Value Added Tax credit claimed and allowed under the Central Excise Rules, 1944, in respect of assets acquired on or after 1st March, 1994,**

**(ii) change in rate of exchange of currency, and**

**(iii) subsidy or grant or reimbursement, by whatever name called.**

**(e) Depreciation allowable.**

**(f) Written down value at the end of the year.**

- The fixed assets can be bifurcated in the table as :  
Building , Machineries, Plants, Furniture and Fixtures, Intangible Assets  
*[Intangible assets like:- Know-How, Patent Rights, Copy Rights, Trade Marks, Licences, etc. ]*
- The deletions from the fixed assets should be taken in to account for the reporting of capital receipts in 13(e)
- Get copies of documents relating to the new acquisitions and sale of fixed assets. So that the dates of such transactions can also be reported in the above format 14(d).
- In case of a company get the copy of resolutions of board for such transactions.
- Get a copy of the MODVAT claimed in the Excise Books.
- If last year the audit is not conducted by us ,get a declaration that

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| <p>the opening WDV of the assets is correct.[D-6]</p> <ul style="list-style-type: none"> <li>In case of company assessee's rates and methods followed as per Companies Act and Income Tax Act. Confirm the Accounting Policy followed every year, and put a relevant note in case of change.</li> </ul>  |  |
| <p><b>15.Amounts admissible under sections 33AB, 33ABA ,33AC, 35, 35ABB, 35AC, 35CCA, 35CCB, 35D,35E:-</b><br/> <b>(a)debited to the profit and loss (showing the amount debited and deduction allowable under each section separately);</b><br/> <b>(b)not debited to the profit &amp; loss account.</b></p> <ul style="list-style-type: none"> <li><i>33AB:-Tea Development Account</i></li> <li><i>33ABA:-Site Restoration Fund</i></li> <li><i>33AC:-Reserve for Shipping Business</i></li> <li><i>35:-Expenditure on Scientific Research</i></li> <li><i>35ABB: - Expenditure for obtaining licence to operate telecommunication services.</i></li> <li><i>35AC:-Expenditure on eligible projects or schemes</i></li> <li><i>35CCA:-Expenditure by way of payment to associations and institutions for carrying out rural development programs</i></li> <li><i>35CCB:-Expenditure by way of payment to associations and institutions for carrying out programs of conservation of natural resources.</i></li> <li><i>35D:-Amortisation of certain preliminary expenses.</i></li> <li><i>35E:-Deduction for expenditure on prospecting etc. for certain minerals.</i></li> </ul> |  |
| <p><b>16.(a)Any sum paid to an employee as bonus or commission for services rendered, where such sum was otherwise payable to him as profits or dividend [Section36(1)(ii)]</b><br/> <b>(b)Any sum received from employees towards contributions to any provident fund or superannuation fund or any other fund mentioned in section 2(24)(x); and due date for payment and the actual date of payment to the concerned authorities under section 36(1)(va)</b></p> <ul style="list-style-type: none"> <li>Take a declaration from the assessee about the amount of bonus or commission and a further declaration that the amount so stated was not to be paid to the concerned employees as profits or dividend [D-7]</li> <li>Check the appointment letters, increment letters and promotion letters.</li> <li>Verify the amounts paid to commission and marketing employees and managers.</li> <li>Check the amount collected , take declaration about the due</li> </ul>   |  |

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| <p>date of payment of provident fund or superannuation fund or any other fund , &amp; verify the evidence of payment of such type of funds, such as statements received from Funds.[D-8]</p>   |  |
| <p><b>17.Amounts debited to the profit &amp; loss account, being:-</b><br/> <b>(a)expenditure of capital nature;</b></p> <ul style="list-style-type: none"> <li>□ The nature of the concern should be kept in mind for determining nature of expenses for which all major expenses incurred should be checked. Expenses for following expenses should be checked for finding out capital exp.:- <ul style="list-style-type: none"> <li>ø Repairs and maintenance.</li> <li>ø Travelling Exp.</li> <li>ø Labour Welfare.</li> <li>ø Interest charged by bank on loans and date of assets being used.</li> <li>ø Expenses dr. to profit &amp; loss account ,on machinery under trial or repairs.</li> <li>ø Assets purchased on hire purchases.</li> <li>ø Printing &amp; Stationery &amp; Office Equipments.</li> </ul> </li> </ul> <p><b>(b)expenditure of personal nature;</b></p> <ul style="list-style-type: none"> <li>❖ Check the appointment letters of the employees and directors ,as to which expenses are allowed to them as perks and facilities.</li> <li>❖ Conform whether following heads of income consists of personal expenses. <ul style="list-style-type: none"> <li>ø Telephone Exp. &amp; Electricity Exp. [<i>If a telephone is used from residence, take a declaration from assessee as to which amount is taken as paid for business and personal, also check the basis of working out.</i>]</li> <li>ø Gift Expenses</li> <li>ø Entertainment Expenses</li> <li>ø Rent paid.</li> <li>ø Repairs and maintenance.</li> <li>ø Bank charges and guaranty fees.</li> <li>ø Traveling and conveyance.</li> <li>ø Salary paid to personal employees / house hold workers.</li> </ul> </li> </ul> <p><b>(c)expenditure on advertisement in any souvenir, brochure, tract, pamphlet or the like published by a political party;</b></p> |  |

Ask for Reserve Bank of India's permission (if applicable) in respect of advertisement, publicity and sales promotion expenditure incurred in foreign exchange.

In case of company assessee, expenditure in foreign currencies as disclosed in Notes forming part of the Audited Accounts should be referred. Wherever applicable, to cross-check the details of advertisement, publicity and sales promotion outside India.

**(d)expenditure incurred at clubs,-**

**(i)as entrance fees and subscriptions;**

**(ii)as cost for club services and facilities used;**

Verify that the salary or perks include club bills.

Verify the vouchers for owner's / director's expenditure relating to clubs.[*If any*]

**(e) (i)expenditure by way of penalty or fine for violation of any law for the time being in force;**

**(ii)any other penalty or fine;**

**(iii)expenditure incurred for any purpose which is an offence or which is prohibited by law;**

**(f)amounts inadmissible under section 40(a)**

Interest ,royalty, fees for technical services or other sum chargeable under this Act, which is payable outside India, on which tax has not been paid or deducted under Chapter XVII-B[*Deduction at source*]

**(g)interest, salary, bonus, commission or remuneration inadmissible under section 40(b)/40(ba) and computation thereof;**

- See the clause of salary in the Deed before calculation of salary.
- Confirm that the partner is a working partner.[Take a suitable declaration][D-9]
- Check the drawings of the partners [*Whether as salary or drawings*]
- Confirm that the interest is not exceeding 12% on product basis.
- Take declaration regarding the salary, bonus, interest paid/ charges.[D-10]
- Check the working of book profit [*i.e.business profit*]

**(h)amount inadmissible under section 40A(3) read with rule 6DD and computation thereof;**

[*Expenses exceeding Rs.20,000/-*]

✻*In brief exceptions:-*

*a . Payments under contracts entered in before 1-4-1969.*

*b. Payment by book adjustments for goods / services supplied to payee.*

*c. Payments to persons in town/village having no banking facility.*

- d. *Payments made to agriculturists & cottage ind. Run without the aid of power.*
- e. *Payments to banks, agricultural credit soc., LIC, UTI & specified financial institutions.*
- f. *Certain payments made through banks like. Letter of Credit, mail or telegraphic trf., book adj. & bills of exchange made payable only to banks.*
- g. *Payments of terminal benefits like gratuity, compensation etc.*
- h. *Payments to temporary employees or having no bank accounts. [Must get a declaration as such]*
- i. *Payments on the day which is a bank holiday or strike of banks*
- j. *Payment to agent who is required to pay in cash for goods/services on behalf of such person...*

- Go through the cash book for payments.
- If found such entries get a statement of the same from the concern.
- Get a declaration from the management that the payments in given statement are the only payments ,and there are no other payments of the similar nature.
- Give a note in the report that 'It has not been possible to verify whether the payment in excess of Rs.20,000/- have been made otherwise that by crossed cheque or bank draft as the necessary evidence was not in the possession of the management.'

**(i) provision for payment of gratuity not allowable under section 40A(7);**

- *Deduction is only allowed if:-*
  - a. *Gratuity is paid or payable during the previous year.*
  - b. *Where provision is made for payment of sum towards approved gratuity fund.*

**(j) any sum paid by the assessee as an employer not allowable under section 40A(9);**

*\* Payments as an employer towards setting up or formation of any fund, trust, company, AOP, or BOI, society under Societies Registration Act, 1860. ,except where such sum is so paid, for the purpose of Sec.36(1) (iv) or (v)[(iv)sum paid as contribution towards recognised provident fund, superannuation fund.(v)sum paid as contribution towards approved gratuity fund.]*

**(k) particulars of any liability of a contingent nature.**

- The contingent liability may be for following.
  - a. Claims against concern not acknowledged as debts.
  - b. Estimated amount of contracts remaining to be executed on capital account and not provided for.
  - c. Other money for which company is contingently liable.
- Take declaration stating the contingent liabilities. [D-11]

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| <p><i>contingency is stated in the financial statements is based on the information which is available at the date on which the financial statements are approved. Events occurring after the balance sheet date that indicate that an asset may have been impaired, or that a liability may have existed, at the balance sheet date are, therefore, taken into account in identifying contingencies and in determining the amounts at which such contingencies are included in financial statements.]</i></p>  |  |
| <p><b>18.Particulars of payments made to persons specified under section 40A(2)(b).</b></p> <p><i>[Persons covered under 40A(2)(b)are :-A] in case of individual:-any relative of the assessee B]in case of a company, firm, AOP, or HUF:- any director of the company, partner of the firm ,or member of AOP, or family, or any relative of such director, partner or member(RELATIVE :-in relation to an individual ,means the husband, wife, brother, or sister or any linen ascendant or descendant of that individual.)]</i></p> <p>Obtain a declaration regarding the persons specified in section 40A(2)(b) before commencement of an audit.</p> <ul style="list-style-type: none"> <li>□ Obtain a list of expenditure in respect of which payment has been made/ is to be made for goods services and facilities (including remuneration and interest to partners) to the above mentioned categories of persons.</li> </ul>   |  |
| <p><b>19.Amounts deemed to be profits and gains under section 33AB or 33ABA or 33AC.</b></p> <p><i>33AB:-Tea Development Account<br/>33ABA:-Site Restoration Fund<br/>33AC:-Reserves for Shipping Business</i></p>  |  |
| <p><b>20.Any amount of profit chargeable to tax under section 41 and computation thereof.</b></p> <p><i>41:[in short]-Profits Chargeable to Tax:-Where any person has taken any deduction of exp. Or loss in any year a] subsequently he has recd. any amt. in respect of such exp. Or loss, that should be treated as income of that year. b] the successor has recd. Such amt in subsequent years, that should be treated as income of that year of such successor. This provision also applies to bad debts recovered later.</i></p> <ul style="list-style-type: none"> <li>□ Take a brief look towards the amounts credited to parties &amp; remained till the closing balance. Such may be the amounts, which might have received out of bad debts recovered.</li> <li>□ Obtain copies of last three years profit &amp; loss a/c. s, see the bad debts written off &amp; get a list of parties. The parties may still be dealing with concern, but concern might have squared off some disputable amounts, in such a case go through amount to amount received and get explanation of the amounts received against specific bills. The unclaimed amounts by any bills may be the amounts against bad debts.</li> </ul> |  |

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| <ul style="list-style-type: none"> <li>□ Confirm the capital receipts, whether they belong to such amounts squared off earlier.</li> </ul>   |  |
| <p><b>21.*(i)In respect of any sum referred to in clause (a),(c),(d) or (e) of section 43B, the liability for which,-</b></p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p><i>43B Following deductions shall be allowed only on actual payments.</i></p> <p><i>(a)Tax duty cess or fee</i></p> <p><i>(c) Bonus or commission which otherwise would not have been paid as profits or dividend</i></p> <p><i>(d)Interest on any loan or borrowing from any public financial institution , in accordance with the terms and conditions of the agreement governing such loan or borrowings.</i></p> <p><i>(e)Interest on any term loan from a scheduled bank.</i></p> </div> <p><b>(A) pre-existed on the first day of the previous year but was not allowed in the <u>assessment</u> of any preceding previous year and was</b></p> <ul style="list-style-type: none"> <li><b>(a)paid during the previous year;</b></li> <li><b>(b)not paid during the previous year;</b></li> </ul> <p><b>(B) was incurred in the previous year and was</b></p> <ul style="list-style-type: none"> <li><b>(a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);</b></li> <li><b>(b) not paid on or before the aforesaid date.</b></li> </ul> <ul style="list-style-type: none"> <li>□ Obtain the copies of the orders passed by the taxation authorities to confirm the liability.</li> <li>□ Check the tax accounts</li> <li>□ Get declarations about the liabilities in these clauses which pre-existed on the first day of the year. [D-12]</li> </ul> <p><b>(ii)In respect of any sum referred to in clause (b) of section 43B, the liability for which-</b></p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p><i>[43B(b) Deduction shall be allowed only on actual payments.- Contribution to any providend fund or superannuation fund or gratuity fund or any other fund for the welfare of the employees.]</i></p> </div> <p><b>(A) Pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year:</b></p> <ul style="list-style-type: none"> <li><b>(a) nature of liability;</b></li> <li><b>(b) due date for payment under second proviso to section 43B;</b></li> <li><b>(c) actual date of payment;</b></li> <li><b>(d) if paid otherwise than in cash, whether the sum has been realised within fifteen days of the aforesaid due date;</b></li> </ul> <p><b>(B) was incurred in the previous year:</b></p> <ul style="list-style-type: none"> <li><b>(a) nature of liability</b></li> <li><b>(b) due date of payment under second proviso to section 43B;</b></li> <li><b>(c) actual date of payment;</b></li> <li><b>(d) if paid otherwise than in cash, whether the sum has been realised within fifteen days of the aforesaid due date.</b></li> </ul> <ul style="list-style-type: none"> <li>□ Obtain the copies of the orders passed by the taxation authorities to confirm the liability.</li> </ul> |  |

|   |  |
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| <ul style="list-style-type: none"> <li>□ Check the tax accounts</li> <li>□ Get declarations about the liabilities in these clauses which pre-existed on the first day of the year.</li> </ul> <p>*State whether sales tax, customs duty, excise duty or any other indirect tax, levy, Cess, impost, etc., is passed through the profit &amp; loss account.</p>  |  |
| <p><b>22.(a) Amount of Modified Value Added Tax credits availed of or utilised during the previous year and its treatment in the profit and loss account and treatment of outstanding Modified Value Added Tax credits in the accounts.</b></p> <ul style="list-style-type: none"> <li>□ Confirm the credits taken at the end of the year. See whether they are recorded in the books of RG-23 etc.</li> <li>□ Take a declarations regarding the same, about the utilised or unutilised.[D-13]</li> </ul> <p><b>(b) Particulars of income or expenditure of prior period credited or debited to the profit and loss account.</b></p> <ul style="list-style-type: none"> <li>□ Confirm the item 11(d) in the form &amp; see whether any item found to be reported.</li> </ul> <p><b>AS-5 [Net Profit or Loss for the Period, Prior Period Items and Changes]</b></p> <ul style="list-style-type: none"> <li>⊖ The term 'prior period items', as defined in this Statement, refers only to the current period as a result of errors or omissions in the preparation of the current period or more prior periods. The term does not include other adjustments necessary though related to prior periods, are determined in the current period, or result of revision of wages with retrospective effect during the current period.</li> <li>⊖ Prior period items are generally infrequent in nature and can be distinguished from accounting estimates by their nature. Accounting estimates by their nature are approximations that become more accurate as more information becomes known. For example, income or expense recognition which previously could not be estimated reliably does not constitute a prior period item.</li> <li>⊖ Prior period items are normally included in the determination of net profit or loss. An alternative approach is to show such items in the statement of profit and loss. In either case, the objective is to indicate the effect of such items on net profit or loss.</li> </ul> |  |
| <p><b>23. Details of any amount borrowed on hundi or any amount due thereon (including interest on the amount borrowed) repaid, otherwise than through an account payee cheque.[Section 69D]</b></p> <p><i>69D:-Amounts Borrowed or Repaid on Hundi:-If the amount so borrowed or repaid is not by account payee cheque ,such amount shall be the income of the person so borrowing or repaying.[Expl:-The amount so repaid shall also include the interest paid while repaying the amount.]</i></p> <p><b>24.(a)* Particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year:-</b></p> <p><i>269SS:-Mode of taking or accepting certain loans and deposits.[Limit</i></p>  |  |

|   |            |                             |           |
|---|------------|-----------------------------|-----------|
| <i>is Rs.20,000/-w.e.f. 1-4-89]</i>   |            |                             |           |
| <p>(i) name, address and permanent account number(if available with the assessee)of the lender or depositor;</p> <p>(ii) amount of loan or deposit taken or accepted;</p> <p>(iii) whether the loan or deposit was squared up during the previous year;</p> <p>(iv) maximum amount outstanding in the account at any time during the previous year;</p> <p>(v) whether the loan or deposit was taken or accepted otherwise than by an account payee cheque or an account payee bank draft.</p>  |            |                             |           |
| <p>□ <i>This section do not apply to the person from whom the loan or deposit is taken or accepted and the person by whom the loan or deposit is taken or accepted are both having agricultural income and neither of them has any income chargeable to tax.[Cir No.551, Dt.23/01/1990(1990),183 ITR]</i></p>   |            |                             |           |
| <p>Give a note in the report that 'It has not been possible to verify whether the mode of taking loan have been made otherwise than by crossed cheque or bank draft as the necessary evidence was not in the possession of the management.'</p>   |            |                             |           |
| <p><b>(b)Particulars of each repayment of loan or deposit in an amount exceeding the limit specified in section 269T made during the previous year:-</b></p>  |            |                             |           |
| <i>269T:-Mode of repayment of certain deposits[Limit is Rs.20,000/-w.e.f. 1-4-89]</i>   |            |                             |           |
| <p>(i) name, address and permanent account number(if available with the assessee)of the payee;</p> <p>(ii) amount of the repayment;</p> <p>(iii) maximum amount outstanding in the account at any time during the previous year;</p> <p>(iv) whether the repayment was made otherwise than by account payee cheque or account payee bank draft.</p> <p>ø Give a note in the report that 'It has not been possible to verify whether the mode of repayment of loan have been made otherwise than by crossed cheque or bank draft as the necessary evidence was not in the possession of the management.'</p> <p>ø (These particulars need not be given in the case of a Government company, a banking company or a corporation established by a Central, State or Provincial Act.)</p> |            |                             |           |
| <b>25.Details of brought forward loss or depreciation allowance, in the following manner to the extent available:</b>   |            |                             |           |
| Serial  | Assessment | Nature of loss or allowance | Amount as |

| Number  | Year | (in Rupees) | returned<br>(in Rupees) | assessed (give<br>reference to<br>relevant order) |  |  |
|---|------|-------------|-------------------------|---|--|--|
|   |      |             |                         |   |  |  |
| <input type="checkbox"/> Obtain the copies of last assessment order and returns filed as<br><input type="checkbox"/> well as the computation of the income.   |      |             |                         |   |  |  |
| <b>26. Section-wise details of deductions, if any, admissible under Chapter VI-A.</b>   |      |             |                         |   |  |  |
| <p>⊛ <b>Following is the list of deductions, which can normally be considered for this clause</b></p> <ul style="list-style-type: none"> <li>❖ 80CCC:- Pension Fund # Individuals</li> <li>❖ 80D:- Medical insurance premia # Individuals &amp; HUFs</li> <li>❖ 80DD:- Maintenance including medical treatment of handicapped dependant. # Resident individuals or Res.HUFs</li> <li>❖ 80DDB:- Medical Treatment Expenses # Resident individuals or Res.HUFs</li> <li>❖ 80E:- Repayment of loan taken for higher studies # Individuals</li> <li>❖ 80G:- Donations to certain funds, charitable institutions # All Assesseees</li> <li>❖ 80GG:- Rent paid for furnished / unfurnished accommodation # Individuals</li> <li>❖ 80GGA:- Certain donations for scientific research or rural development # All Assesseees not having any income chargeable under the head "Profits &amp; Gains of business or profession"</li> <li>❖ 80L:- Interest of certain securities ,dividends etc. # Individuals &amp; HUFs</li> <li>❖ 80U:- Income of totally blind or physically handicapped persons # Resident individuals</li> </ul> <p>⊛ <b>NOTE:- Other deductions are more or less specifically given ,thus they are not considered above .Pl. go through Act for them.</b></p> |      |             |                         |   |  |  |
| <ul style="list-style-type: none"> <li>❖ Before stating allowable deductions , get copies of relevant evidence.</li> <li>❖ In case of lac of evidence the note may be stated as '<b>We have not stated here any other deductions ,the evidence for which could not be seen at the time of audit.</b>'</li> </ul>  |      |             |                         |   |  |  |
| <b>27.(a) Whether the assessee has deducted tax at source and paid the amount so deducted to the credit of the Central Government in accordance with the provisions of Chapter XVII-B.</b>  |      |             |                         |   |  |  |
| <ul style="list-style-type: none"> <li>□ Go through the records and answer accordingly, also check the ledger accounts for the same.</li> <li>□ The proofs of payments must be kept as audit evidence.</li> <li>□ See the forms filed for TDS details:-<br/>           Form No.24:-Return for TDS on Salary.<br/>           Form No.25:-Return for TDS on interest on securities.<br/>           Form No.26:-Return for TDS on Dividends / Units.<br/>           Form No.26A:-Return for TDS on interest other than "Interest on securities" U/s.206[Form26].<br/>           Form No.26C:-Return for TDS on payments to contractors or         </li> </ul>  |      |             |                         |   |  |  |

|   |   |  |                                       |
|---|---|--|---------------------------------------|
| <p><i>subcontractors.</i><br/> <i>Form No.26J:-Return for TDS on rent.</i><br/> <i>Form No.26K:-Return for TDS on fees for professional or technical services.</i></p>  |   |  |                                       |
| <p><b>(b) If the answer to (a) above is in Negative, then give the following details:</b></p>   |   |  |                                       |
| Serial Number   | Particulars of Head under which tax is deducted at source | Amount of Tax deducted at source (in Rupees) | Due date for remittance to Government |
|   |   |  |                                       |
| <p><b>28.(a)In the case of a trading concern, give quantitative details of principal items of goods traded:</b><br/>           (i)Opening stock;<br/>           (ii)Purchases during the previous year;<br/>           (iii)Sales during the previous year;<br/>           (iv)Closing stock;<br/>           (v)shortage/excess,if any.<br/> <b>(b)In the case of a manufacturing concern, give quantitative details of the principal items of raw materials, finished products and by-products:</b><br/> <b>A. Raw materials:</b><br/>           (i)opening stock;<br/>           (ii)purchases during the previous years;<br/>           (iii)consumption during the previous year;<br/>           (iv)sales during the previous year;<br/>           (v)closing stock;<br/>           (vi)*yield of finished products;<br/>           (vii)*percentage of yield;<br/>           (viii)shortage/excess, if any.<br/> <b>B. Finished products/By products:</b><br/>           (i)opening stock;<br/>           (ii)purchases during the previous year;<br/>           (iii)quantity manufactured during the previous year;<br/>           (iv)sales during the previous year;<br/>           (v)closing stock;<br/>           (vi)shortage/excess, if any.<br/>           *Information may be given to the extent available<br/> <input type="checkbox"/> Obtain a copy of assessment order ,stock statement submitted to bankers<br/> <input type="checkbox"/> Also check inventory records of the entire year.<br/> <input type="checkbox"/> The following note may be given in case of no stock records found.<br/> <i>'Closing stock found valued according to the provisions of Sec.145A of the Income Tax Act, on the basis of the quantitative information of closing stock provided by the assessee. The quantitative details provided by the assessee for our report, are</i></p> |   |  |                                       |





|  |  |  | claim<br>pending |  | year | year end<br>,Date of<br>receipt |  |
|--|--|--|------------------|--|------|---------------------------------|--|
|  |  |  |                  |  |      |                                 |  |

If last year the audit is not conducted by us ,get a declaration that the opening WDV of the fixed assets is correct.[D-6]

- Declaration that the amount of bonus or commission was not otherwise payable to the employees as profit or dividend.[D-7]
- Take declaration about the due date of payment of provident fund or superannuation fund or any other fund [D-8]
- Take a declaration regarding the working partners.[D-9]
- Take declaration regarding the salary, bonus, interest paid/ charges.[D-10]
- Take declaration stating the contingent liabilities.[D-11]
- Get declarations about the liabilities in 43B (a),(b),(c),(d),(e) which pre-existed on the first day of the year.[D-12]
- Take a declarations regarding the CENVAT utilised or unutilised.[D-13]