



## TAX AUDIT CHECKLIST-2012

Clause No.	Points for Consideration
1	Name of the Assessee
2	Address
3	Permanent Account No.
4	Status
5	Previous Year Ended
6	Assessment Year
7	<ul style="list-style-type: none"><li>i. Verify Deed of Partnership for the names of the partners and their profit sharing ratios. Disclose change/s in the ratio. Ratio for sharing losses, if different from the profit sharing ratio, should be disclosed.</li><li>ii. Cross verify the names of the partners and their profit sharing ratios with that in the accounts of the current year and that of the previous year to ascertain any change.</li></ul>
8	<ul style="list-style-type: none"><li>i. Obtain list of activities /principal lines of business from client and changes from previous year (if any) (i.e. both new and discontinued businesses)</li><li>ii. Verify above with the financial statements of the current year, board and general meeting minutes, and previous years Return of Income.</li><li>iii. Identify and disclose new activities in pre-operative stage, even if no revenues are generated from the same. For this purpose scrutinise accounts such as capital w.i.p., pre-operative expenditure, interest costs, etc.</li><li>iv. Check if the client carries out more than one business or profession during the previous year, even if discontinued with in the year.</li><li>v. Disclosure :<ul style="list-style-type: none"><li>(a) Under broad heads viz., manufacturing, trading services and financial services,</li><li>(b) Nature of product/ services under each broad head.</li></ul></li></ul>



Clause No.	Points for Consideration
9	<p>i. For persons carrying on legal, medical, engineering or architectural professions or the profession of accountancy or technical consultancy or interior decoration or authorised representative or film artist the following books are prescribed u/s 44AA:</p> <ul style="list-style-type: none"><li>a. cash book;</li><li>b. journal, if the accounts are maintained according to the mercantile system of accounting;</li><li>c. Ledger;</li><li>d. Carbon copies of bills; and</li><li>e. Original bills wherever issued to the person and receipts in respect of expenditure incurred by the person.</li></ul> <p>ii. Obtain list of books of account maintained by the assessee. If books of account maintained on computer then obtain certificate from software developer/vendor for books of account generated by the computer.</p> <p>iii. Compare list of books maintained with previous year's schedule.</p> <p>iv. Disclose only those books that are verified.</p>
10	<p>Profit and gains assessable on presumptive basis would be of the following businesses:</p> <ul style="list-style-type: none"><li>• Civil Construction</li><li>• Plying, hiring or leasing of goods carriages</li><li>• Retail business</li><li>• Shipping business in case of non-residents</li><li>• Business of exploration, etc. of mineral oils</li><li>• Operation of aircraft in case of non-residents</li><li>• Foreign companies engaged in the business of civil construction, etc., in certain turnkey projects.</li></ul> <p>Scrutinise the income accounts for the nature of income to ascertain whether the same would fall in any of the above categories and the conditions/requirements prescribed under the Income Tax Act, 1961 are satisfied/complied.</p>



Clause No.	Points for Consideration
11	<ol style="list-style-type: none"><li data-bbox="456 474 1211 537">i. Verify Notes to Account for disclosure of significant accounting policies.</li><li data-bbox="456 552 1268 615">ii. Compare with previous year's tax audit report for basis adopted.</li><li data-bbox="456 630 1325 726">iii. Scrutinise Notes to Accounts, Auditors' report and CARO for change in method of accounting and the quantification thereof.</li><li data-bbox="456 741 1349 1052">iv. Disclose details of deviation in the method of accounting employed (based generally on ICAI Standards) in the PY from the standards prescribed under Section 145. Presently, the following standards are prescribed:<ul style="list-style-type: none"><li data-bbox="586 884 1065 915">• <i>Disclosure of accounting policies</i></li><li data-bbox="586 930 870 961">• <i>Prior period items</i></li><li data-bbox="586 976 902 1008">• <i>Extraordinary items</i></li><li data-bbox="586 1022 1024 1052">• <i>Changes in accounting policy</i></li></ul></li></ol>
12	<ol style="list-style-type: none"><li data-bbox="456 1083 1308 1146">i. Ensure disclosure is consistent with Significant Accounting Policies under Notes to Accounts.</li><li data-bbox="456 1161 1300 1224">ii. Check that the following is included in the valuation of stocks: tax, duty, cess or fee (by whatever name called).</li><li data-bbox="456 1239 1308 1335">iii. If the items mentioned in (ii) above are not included, then quantify the effect thereof on opening and closing stock valuation.</li><li data-bbox="456 1350 1325 1535">iv. The effect on the profit and loss account of deviation from method of valuation prescribed under Section 145A should be given individually on the opening and closing stocks. Both the effects should be disclosed separately and not netted off. In case of netting off, there should be proper disclosure.</li></ol>



Clause No.	Points for Consideration
12 A	<ol style="list-style-type: none"><li>i. Verify whether the assessee has converted any capital asset into stock in trade by scrutinizing the Assets accounts,</li><li>ii. Obtain the list of assets converted into stock in trade,</li><li>iii. Verify the date of acquisition and cost of acquisition with the supporting documents</li><li>iv. Obtain the amount at which it is converted into stock in trade</li><li>v. Disclosure:<ul style="list-style-type: none"><li>• List of assets converted in stock in trade including description,</li><li>• Date of acquisition of each asset,</li><li>• Cost of acquisition for each,</li><li>• Amount at which the capital asset is converted into Stock in trade.</li></ul></li></ol>
13 a)	<ol style="list-style-type: none"><li>i. Scrutinise liability and capital reserve accounts to ascertain any amount in the nature of income.</li><li>ii. Scrutinise audit report and notes to accounts for comments, if any, on deferment/non-accounting of income.</li><li>iii. Identify whether the business of the assessee enjoys the benefit of any import license, cash assistance for exports, claims for duty drawback, proforma credits, refunds, etc.</li><li>iv. Verify whether income when (i) to (iii) above is accrued, in accounts, if due. If not accounted, quantify separately.</li><li>v. Review the items of financial statements that considering the propriety of transaction, would be generating revenue but are provided free of cost or at subsidised rates. Disclose such items separately and quantify the effect wherever possible.</li><li>vi. Discuss with the management by making prima facie inquiry of any facilities or other benefits provided to others out of gratis or otherwise.</li></ol>



Clause No.	Points for Consideration
13b)	<ul style="list-style-type: none"><li>i. Discuss with the management for any of the above claims admitted as due by the authorities concerned at the year end.</li><li>ii. Verify whether the above claims have been credited to the profit and loss account and, if not, obtain reasons.</li><li>iii. Scrutinise subsequent receipts of customs or excise refunds, drawbacks and refund of sales tax. Ascertain when these claims were admitted as due by the authorities concerned.</li><li>iv. Verify recent sales tax assessment orders to determine whether any refund is due.</li><li>v. Cross check with notes to accounts and qualifications in auditors report for such credits.</li></ul>
c)	<ul style="list-style-type: none"><li>i. Check the accounting policy followed for accounting for escalation claims as also any adverse comments in auditors' report / notes for non-accounting of claims.</li></ul>
d)	<ul style="list-style-type: none"><li>i. Scrutinise the notes to account and auditors' report for any undisclosed / unaccounted revenue / income. (Refer items listed in Section 2(24).</li></ul>
e)	<ul style="list-style-type: none"><li>i. Review items representing credits in the nature of capital receipt particularly those credited to capital reserve.</li><li>ii. Check whether any of these could be credited to revenue under tax laws. If yes, ensure appropriate disclosure.</li></ul>



Clause No.	Points for Consideration
14	<p>i. Obtain a schedule in the form required under the clause. Description of asset / block of asset should be under the following heads:</p> <ul style="list-style-type: none"><li>• Building</li><li>• Plant and Machinery</li><li>• Furniture and Fixtures</li><li>• Vehicles/Cars (acquired after 1.4.90)</li><li>• Other Specified Assets and</li><li>• Intangible Assets</li><li>• Computers</li></ul> <p>ii. Identify the opening block of WDV from previous year's return of income.</p> <p>iii. Check/vouch adjustments to the block of fixed assets during the year from statutory audit file or relevant supports.</p> <p>iv. Identify separately and vouch for adjustments on account of the following:</p> <ul style="list-style-type: none"><li>• CENVAT, from RG 23A Part II and RG 23C Part II registers</li><li>• Change in rate of exchange of currency, from the financial statements/audit work papers</li><li>• Subsidy / grant / reimbursement, etc., verify the scheme under which it is received and ensure appropriate treatment in books.</li></ul> <p>v. Confirm whether rates and amount for claim of depreciation are as per Section 32 and Rule 5 of the Income Tax Act and Rules respectively.</p>



Clause No.	Points for Consideration
15	<p>i. Discuss whether any of the sections referred are applicable to the assessee. The business activities/expenditures covered are:</p> <ul style="list-style-type: none"><li>• Growing and manufacturing of tea (33AB)</li><li>• Prospecting/extraction/production of petroleum and/or natural gas (33ABA)</li><li>• Operation of ships (33AC)</li><li>• Scientific research (35)</li><li>• Telecommunication services (35ABB)</li><li>• Eligible projects or schemes for promotion of social and economic welfare (35AC and rules 11F to 11-O)</li><li>• Rural development programmes (35CCA)</li><li>• Conservation of natural resources (35CCB)</li><li>• Preliminary expenses (35D)</li><li>• Amortization of expenditure in case of amalgamation/demerger (35DD)</li><li>• Amortization of expenditure incurred under voluntary retirement scheme(35DDA)</li><li>• Prospecting/extraction/production of any minerals (35E)</li></ul> <p>ii. Scrutinise general ledger for items of allowable expenses, particularly those in the nature of capital expenditure, which under tax laws are allowed as deduction (e.g. licence fees, preliminary expenses as defined under 35D)</p> <p>iii. Check depreciation schedule for any capitalised asset, is claimed as an allowance under tax laws and ensure separate disclosure.</p> <p>iv. Ensure appropriateness of deductions (particularly weighted deductions) claimed under the relevant sections.</p> <p>For items in (i) above, verify and classify items which have been charged to current statement of profit and loss, and those that are not.</p>
16 a)	<p>i. Obtain a schedule of bonus, exgratia and commission paid/payable to employees stating the name of the employee, designation, amount of bonus/exgratia/</p>



Clause No.	Points for Consideration
	<p>commission paid/payable, etc.</p> <p>ii. The particulars should be disclosed only if the above are payable in lieu of dividends or profits.</p>
b)	<p>i. Check payroll records for any deductions on account of provident fund, superannuation fund, ESIC or contribution towards any other fund for the welfare of employees.</p> <p>ii. Obtain and verify chart for employees contribution towards the above funds with their respective due dates and actual dates of payment.</p>
17 a)	<p>i. Scrutinise audited accounts and schedules for expenditures:</p> <ul style="list-style-type: none"> <li>a. Repair &amp; Maintenance</li> <li>b. Travelling expenses</li> <li>c. Salaries &amp; Wages</li> <li>d. Stores &amp; spare parts consumption</li> <li>e. Depreciation</li> <li>f. Legal, Professional &amp; Consultancy charges</li> <li>g. Filing Fees</li> <li>h. Capital losses written off</li> <li>i. Miscellaneous Expenditure written off (Balance Sheet item)</li> <li>j. Miscellaneous/general expenses, for capital expenditure written off.</li> <li>k. Computer software expenses to ensure that it does not include any system software.</li> </ul>
b)	<p>i. Verify whether Directors' remuneration and r perquisites covered by contractual obligations.</p> <p>ii. Scrutinise report under CARO for any personal expenses being reported.</p> <p>iii. Scrutinise earlier years assessment orders for any expenses being disallowed as personal expenses by the Income-Tax Department, whether disputed or not by the assessee.</p> <p>iv. Scrutinise schedules/vouchers for expenses like – Staff Welfare, Entertainment, Rent, General Expenses, Sales Promotion, Travelling, Hotel &amp; Club bills, Guest house</p>



Clause No.	Points for Consideration
	expenses, Drivers Salary, Telephone expenses, Electricity expenses and Motor Car expenses.
c)	<ul style="list-style-type: none"><li>i. Refer to audit file for comments on contribution to political parties, if the audit carried out by the firm.</li><li>ii. Verify the supporting documents such as souvenirs or pamphlets issued by the political party. Contribution to trade unions affiliated to a political party should be reported.</li></ul>
d)	<ul style="list-style-type: none"><li>i. Check the payments to clubs for expenditure of personal nature or entertainment. Exclude payments to Diners, Lions, Rotary, Giants, etc..</li><li>ii. Check the other revenue heads of account for payments to clubs.</li></ul>
e)	<ul style="list-style-type: none"><li>i. Make prima facie inquiry about the applicable laws to the organisation with the management and also identify specific statutes based on review of clients business.</li><li>ii. Verify from audit work papers for expenditure in the nature of penalty, fine, illegal payments.</li><li>iii. Verify Income Tax, Sales Tax, excise, P.F. and other orders for penalty and other payments.</li></ul>



Clause No.	Points for Consideration
f)	<ul style="list-style-type: none"><li>i. Obtain statement of payments made outside India, (with corresponding TDS amount) on account of interest, royalty, fees for technical services or other sum paid outside India or in India to a non-resident (other than a company /foreign company) chargeable under the Act.</li><li>ii. Cross check with expenditure in foreign currency disclosed in the notes to account.</li><li>iii. Verify whether adequate tax has been deducted and paid on the above payments. If not, then give details of non/short deductions.</li><li>iv. For the items of payments stated in (i) above where the tax deducted in subsequent year or deducted but paid after the time limit given in of section 200(1), the deduction of the amount of royalty etc. should be taken in the previous year of payment of tax. Report the list of such inadmissible amounts.</li><li>v. In case of payments to residents of interest, commission or brokerage, fees for professional or technical services, contractor/sub-contractor on which tax was not deducted or deducted but not paid before the prescribed time limit such payments will be disallowed. Report the list of such inadmissible amounts.</li><li>vi. FBT and STT are inadmissible for computing income. Verify the amounts based on available information and report them separately under this clause.</li><li>vii. Disclose the amount of income tax, FBT and wealth tax charged to the statement of profit and loss.</li><li>viii. Obtain an employee wise statement of salaries paid outside India with corresponding tax withheld and verify the accuracy of the deduction.</li><li>ix. 40(a)(iv) Provident fund – TDS – Salaries – pending.</li><li>x. Write appropriate disclaimer where it was not possible to verify or ascertain certain inadmissible amounts pertaining to any of the above categories.</li></ul>
g)	<ul style="list-style-type: none"><li>i. Verify the details of payments to partners/members for interest, salary, bonus, commission or remuneration with reference to the deed of partnership/other documents (in case of AOP or Body of Individuals) and books of account.</li><li>ii. Work out payments in excess of limits prescribed under</li></ul>



Clause No.	Points for Consideration
	Section 40(b)/40(ba) and report the same in the Statement of Particulars.
h)	<ul style="list-style-type: none"><li>i. Obtain a certificate from the assessee for all payments in excess of ` 20,000/- stating that they were made by account payee cheque / bank draft.</li><li>ii. In case the assessee is unable to give a clean certificate then the certificate should state payments that were made otherwise than by a/c payee cheque/draft then payments exceeding ` 20, 000/- in cash or by cheques /drafts which are not crossed should be listed therein.</li><li>iii. Cross verify the list given by the assessee with the bank statements.</li><li>iv. Scrutinize cash book to ensure completeness and accuracy of list provided by the assessee.</li><li>v. Independently look for such payments in cash that may not be included in the list / certificate provided by the assessee.</li><li>vi. Ensure disclosure for obtaining certificate and inadmissible amounts under S. 40(A)(3) read with Rule 6DD.</li></ul>
i)	<ul style="list-style-type: none"><li>i. Obtain schedule for provision for payment of gratuity.</li><li>ii. Cross tally schedule with the amount as per audited accounts.</li><li>iii. Check the provision for gratuity which has become payable to employees who have left the services.</li><li>iv. Check the actual date of payment in case of funds set up by the Company and the due date as per the trust deed.</li><li>v. Indicate the following separately<ul style="list-style-type: none"><li>a. Provision towards approved gratuity fund contribution</li><li>b. Provision for gratuity that is due and payable during the year.</li><li>c. Other provisions.</li></ul></li></ul>



Clause No.	Points for Consideration
j)	<ul style="list-style-type: none"><li>i. Obtain list of payments made by an employer towards the setting up or formation or contribution to any fund, trust, company, etc., other than:<ul style="list-style-type: none"><li>a. Recognised provident fund.</li><li>b. Recognised gratuity fund.</li><li>c. Recognised superannuation fund.</li><li>d. As required by or under any other law.</li></ul></li></ul> <p>Indicate in the Statement of Particulars the payments made by the employer other than those mentioned in (i) above</p>
k)	<ul style="list-style-type: none"><li>i. Scrutinise liability accounts to identify any liability of contingent nature debited to the profit and loss account.</li></ul>
l)	<ul style="list-style-type: none"><li>i. Does the assessee have any exempt income,</li><li>ii. If 'yes' then verify whether the assessee has incurred any expenditure to earn exempt income,</li><li>iii. Consider the account head that are likely to contain expenditure relating to such income and scrutinize them,</li><li>iv. If there is any expenditure relating to such exempt income then such expenditure incurred should be disclosed under this point and added back to the taxable income.</li><li>v. In case of composite business the expenditure relating to the exempt income should be determined as per method to be specified by CBDT.</li></ul>
m)	<ul style="list-style-type: none"><li>i. Has the assessee accrued/paid any interest on loan borrowed,</li><li>ii. Ascertain the purpose of such loan,</li><li>iii. Where the amount is borrowed for capital asset which is still not put to use ensure that such amounts are not treated as expenses,</li><li>iv. This inadmissible amount should be shown in this point</li></ul> <p>In case the asset for which any amount is borrowed and it is put to use during the year under report then apportion the amount of interest on time basis.</p>



Clause No.	Points for Consideration
17A	<p>i. Do the audited annual accounts of the assessee disclose the interest paid or payable under the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act)?</p> <p>ii. If the assessee is not audited under any other law, then while preparing the annual accounts the assessee would have to compile the details of amount of interest paid/payable under the MSMED Act and disclose the same in the accounts in accordance with the said Act. Ensure that a separate classification of such suppliers of goods/services is maintained by the assessee. A separate ledger account for such interest would be desirable. The auditor should verify the manner in which the amount is determined so that it is complete and correct and in alignment with the MSMED Act.</p> <p>iii. The amount so determined, should be reported under this clause for disallowance.</p>
18	<p>iv. Obtain duly certified list of persons specified under Section 40A(2)(b) and cross tally with previous years list. Also check whether the entities/parties listed in the register maintained under Section 301 of the Companies Act, 1956 or referred to in any Board Minutes fall in category of specified persons.</p> <p>v. Obtain list of expenditures in respect of which payment has been made or is to be made for goods, services and facilities (including remuneration and interest to partners) to the above mentioned category of persons and check with:</p> <ul style="list-style-type: none"><li>• Agreements/authorisation.</li><li>• Vouchers/entries in the general ledger</li><li>• Personal accounts of the parties</li></ul>
19	<p>i. Confirm the workings of profits and gains as per the requirement of these sections.</p> <p>In respect of section 33ABA verify from the accountants' report required under sub section (2) of this section</p>



Clause No.	Points for Consideration
20	<ul style="list-style-type: none"><li data-bbox="456 470 1338 562">i. Obtain a statement of written back during the year. Inquire whether allowance in tax returns was claimed in earlier years.</li><li data-bbox="456 583 1292 642">ii. Scrutinise other income and reserves account and report receipts, upon succession of business.</li><li data-bbox="456 663 1333 814">iii. <b>For Power Companies only</b> - In case of sale of fixed assets, check whether the sale value exceeds the WDV of that particular asset. If yes, report difference under this clause. However, this should be restricted to the difference between cost and WDV of that particular asset.</li><li data-bbox="456 835 1333 987">iv. In case of sale of assets used for scientific research, the excess of sale proceeds (together with deduction under 35(2)(i), 35(2)(ia), 35(2B)(c)) over capital expenditure; or the amount of deduction above, whichever is lower should be reported.</li><li data-bbox="456 1008 1317 1100">v. Obtain a statement of recovery of debts earlier written off. Report to the extent amount allowed as deduction in the past assessments.</li><li data-bbox="456 1121 1256 1213">vi. In case assessments are not complete for the years in respect of which bad debts are recovered, ensure appropriate disclosure by way of note.</li><li data-bbox="456 1234 1333 1352">vii. Obtain list of amounts withdrawn from special reserve created under section 36(1)(viii) with corresponding deduction allowed in earlier assessments. Report with note as discussed under verification point (vi) above.</li></ul> <p data-bbox="443 1373 1338 1558">In case business (in respect of which all the above income is received) is discontinued, any unclaimed <i>loss</i> (other than speculation loss) <i>of the year</i> in which the business is discontinued for that particular discontinued business can be set off against these incomes. Consider the effect of the same in the computation under this clause.</p>



Clause No.	Points for Consideration
21 i)	<p>i. Scrutinise previous years tax audit report, current liabilities &amp; secured/ unsecured loans (for interest accrued and due) to identify any of the following amounts pertaining to <b>earlier years</b>:</p> <ul style="list-style-type: none"><li>• Tax, duty, cess or fee (by whatever name called) levied under any law (e.g. excise duty provision, customs duty, service tax, electricity duty, R&amp;D cess, textile cess, municipal taxes, profession tax, octroi duty, etc);</li><li>• Any sum payable by employer by way of contribution to provident fund or super-annuation fund or any fund for the welfare of employees</li><li>• Bonus or commission payable to employees;</li><li>• Interest payable on any loans or borrowings from public financial institution, state financial corporation or industrial investment corporation, and</li><li>• Interest payable on term loans availed from a scheduled bank.</li><li>• Leave encashment</li><li>• Any sum payable by an employer in lieu of leave at the credit of employee</li></ul> <p>ii. Verify payments relating to above (not allowed as a deduction in the earlier assessment years) with relevant supports viz. challans, receipts, bank advise, etc. Also disclose amounts unpaid out of above.</p> <p>iii. For expenditures mentioned in (i) above debited to profit and loss account (including those not routed through the profit and loss account) of the current year, determine the amount remaining unpaid (i.e. shown as liabilities) as at 31<sup>st</sup> March. Also verify amounts paid subsequently on or before the filing of return of income, and balance outstanding.</p> <p>iv. In respect of any tax, duty, cess or fee reported in clause 21(i) it is necessary to state whether it is routed through the profit and loss account. For this refer to the accounting policy on sales to confirm if sales include excise duty, sales tax, service tax, etc.</p>



Clause No.	Points for Consideration
	Verify report under CARO for any statutory dues remaining unpaid.
22a)	<p><i>Purchase of goods and materials</i></p> <ul style="list-style-type: none"><li>i. Document the system of accounting excise at the time of purchase of goods and materials, point of availment or utilisation of CENVAT credit and entries passed at the time of availment/utilisation of cenvat credit.</li><li>ii. Quantify and verify from excise records the amount of cenvat credit available for the year, amount utilised and the balance outstanding.</li><li>iii. Provide a summary of above account with description and ensure disclosure of the same.</li></ul>
b)	<ul style="list-style-type: none"><li>i. Check the items under the head prior period adjustments, or check the notes on accounts to ensure whether any expenditure or income of prior year is debited or credited to profit and loss account.</li><li>ii. Reference to be made to the method of accounting followed by the organization and stated at clause 11 of form 3CD.</li></ul> <p><i>In case of cash system of accounting, there will not be any item appearing under this clause</i></p>



Clause No.	Points for Consideration
23	<ul style="list-style-type: none"><li>i. Obtain a statement of hundis borrowed and repaid during the year with the mode and amount of each individual payment.</li><li>ii. Also check the mode of payment of interest due on hundi during the year.</li><li>iii. Obtain loan confirmations.</li><li>iv. Disclose all payments made for above otherwise than by account payee cheque. The amount so borrowed or repaid shall be deemed to be the income of the person borrowing or repaying.</li><li>v. Ensure disclosure of standard note of the firm for our inability to verify whether the payments are done through account payee cheque or not.</li></ul>
24 a)	<ul style="list-style-type: none"><li>i. Obtain statement in the required format and check with relevant accounts in general ledger.</li><li>ii. Scrutinise loan accounts, current account and deposit accounts for similar items.</li><li>iii. Scrutinise advances account to find out whether such advances are in the nature of loans/deposits.</li><li>iv. Obtain loan confirmations.</li><li>v. Disclose particulars of loans/deposits taken in excess of ₹ 20,000 during the year.</li></ul>
b)	<ul style="list-style-type: none"><li>i. Obtain statement in the required format and check with relevant accounts in general ledger.</li><li>ii. Scrutinise loan accounts, current account and deposit accounts for similar items.</li><li>iii. Ensure that all the items, which are covered under 24 (a) above and in respect of which repayment is made during the year, disclosure is made under this clause.</li></ul>
c)	<ul style="list-style-type: none"><li>i. Obtain a certificate from the assessee that all the loans or deposits or repayments of loans have been made through an account payee cheque or an account payee bank draft</li><li>ii. No certificate is required if repayment of any loan or deposit taken or accepted from Government, Government company, banking company or a corporation established by a Central, State or Provincial Act</li></ul>



Clause No.	Points for Consideration
25 (a)	<ul style="list-style-type: none"><li>i. Verify the last return of income filed, and make a list of all the carry forward losses.</li><li>ii. Verify the recent assessment orders and ensure that the effect of such assessment, so far as applicable to the carry forward losses and depreciation, has been properly dealt in the annexure prepared.</li><li>iii. Ensure disclosure of amount of carry forward loss being subject to change on account of open assessments. Include status under appeal under Remarks column.</li><li>iv. Get the annexure so prepared verified by the audit Group.</li></ul>
(b)	<ul style="list-style-type: none"><li>i. Is there any brought forward loss? If no b/f loss is there then skip this point,</li><li>ii. Is the assessee other than company in which the public is substantially interested?</li><li>iii. If 'yes', then is there any change in the share holding pattern carrying voting rights compared to the year whose loss is sought to be set off?</li><li>iv. Is the above change is 51% or more on the last day of the year under report?</li><li>v. If yes then report the same under this clause.</li></ul> <p>Such b/f loss will not be admissible for setoff. It should be noted in the Return of Income and suitably disclosed.</p>
26	<ul style="list-style-type: none"><li>i. Verify the return of income of earlier years to ensure that all the deductions claimed in the previous year, and if applicable in the current year, have been disclosed.</li><li>ii. Scrutinise the current year financial statements and audit work papers for identifying any claims available under the chapter.</li><li>iii. In respect of sections under which independent certificates are required, ensure that a copy of the same is put on the file.</li><li>iv. Ensure full particulars of deductions with quantification thereof are verified and signed off by audit staff.</li></ul>



Clause No.	Points for Consideration
27	<ul style="list-style-type: none"><li>i. Obtain a statement of TDS deducted showing the particulars of the head under which tax is deducted, amount deducted, due date of payment, payment date and amount and the delay in payment.</li><li>ii. Check the relevant vouchers, challans and e-TDS returns submitted of the tax so deducted.</li><li>iii. Identify various heads of expenses where TDS there is a likely hood of TDS liability and scrutinize the those accounts to ensure that wherever TDS was liable to be deducted, is deducted and deducted correctly, (<i>Ensure you have the correct heads and rate chart including changes if any during the year</i>)</li><li>iv. Scrutinize relevant accounts for expense heads such as salaries, interest, royalties, contractors/sub-contractors, professional technical fees etc.</li><li>v. Scrutinize the ledger to obtain instances where tax is deductible but it is not deducted or there is short deduction,</li><li>vi. Report the instances where tax is deducted but paid after due date,</li><li>vii. Report instances of late deduction of tax and non payment to the government account.</li></ul> <p><i>Notes Instances of</i></p> <ul style="list-style-type: none"><li>- Tax deductible and not deducted;</li><li>- Tax deducted lower than what was required;</li><li>- tax deducted late;</li><li>- tax deducted and not paid or late paid; <i>Should be reported</i></li></ul>
28 a)	<ul style="list-style-type: none"><li>i. Verify whether the quantitative information is given as per stock records maintained by the assessee or compiled from financial statements.</li><li>ii. Verify that at least the items, which constitute more than 10% of the value of purchases or consumption or turnover as the case may be are disclosed as a separate item.</li><li>iii. The information about percentage of yield, shortage of raw materials as well as shortage and percentage of finished products to be given to the extent data is available from the assessee's records. Non-receipt of particulars, if any, should be stated.</li></ul>





Clause No.	Points for Consideration
	<p style="text-align: right;"><u>xxx</u></p> <p style="text-align: right;">xxx</p> <p>Less: Opening stock of Finished goods <span style="float: right;"><u>xxx</u></span></p> <p>Finished goods produced <span style="float: right;"><u>xxx</u></span></p> <p>The stock figures should be taken as per books of account and not the adjusted number as per section 145A.</p>
	<b>ANNEXURE 1</b>
Annexure 1 Part A	Repeat the details as reported in Part A of the Form 3CD.
Annexure 1 Part B	<ul style="list-style-type: none"> <li>i. This part should contain the relevant code applicable to the business.</li> <li>ii. Details of items stated in serial numbers 1 to 9 and 14 to 16 should be same as in the Annual Accounts.</li> <li>iii. Remaining items from Serial number 10 to 13 should be verified against relevant account head if given separately in the annual accounts or from the relevant account balances as per general ledger verified by the auditor.</li> </ul>
	<b>ANNEXURE 2</b>
	<p>Details of Fringe Benefit Tax should be given in the prescribed format.</p> <p>Consider the notes at the end and rate changes if any.</p>