

(Q1) ABC Ltd. is a tyre manufacturing company based in Delhi. As auditor of the company, state your reporting requirements in case of following situations, as per CARO, 2020.

- (i) Physical verification of PPE is not conducted by management citing lack of time and staff.
- (ii) Though company is maintaining proper records for tangible assets, it failed to do so wrt. intangibles.
- (iii) Proceedings have been initiated against the Co. under Prohibition of Benami Property Transaction Act, however the company failed to disclose about this fact in the financial statements. In this case, what should be the type of opinion to be expressed by the auditors apart from reporting under CARO, if any.
- (iv) The company has revalued its PPE amount to ₹ 100 Cr. to ₹ 105 Cr (Revalued amt) without valuation being done by a registered valuer.

CAT 2020  
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- (V) The company keeps raw material and finished goods in separate godowns. Though the mgt. conducts physical verification of finished goods periodically, it does not do so in respect of raw materials. When enquired, the management is of the opinion that raw material is of substantially less value than that of finished goods.
- (VI) The company, not being a loan company, provided ₹ 30 crores as loan to its associate ABC Ltd. and ₹ 80 crores to another party. Both the loans were given @ 1.5% p.a. and both were squared up within the year. Hence, there is no amount outstanding as at B/S date.
- VII Out of ₹ 100 Cr. loan given to its subsidiaries and associates, a loan amounting to ₹ 7 Cr. given to S Ltd. is overdue for 100 days as at Balance sheet date. However, no steps have been taken by ABC Ltd. regarding recovery of such loan.
- VIII The company have public deposits amounting to ₹ 70 crores. What is reporting requirement under CARO in this respect.  
 (x) ₹ 20, 2020  
 (y) Public Board
- (ix) The company having a total turnover of ₹ 280 Cr. is required to maintain cost records under 148(1).

- (X) There has been a statutory due payable by 28<sup>th</sup> Sept 20X1. The same has not been paid till 31.3.20X2. What is reporting requirement under CARO, 2020 for the year 20X1-20X2.  
What if its due date was 28.12.20X1?
- (xi) ITO has sent a demand notice of ₹ 1 Cr. 2 years ago. The company has gone into appeal which is still pending.
- ~~ATO, 2020 A  
by Surrender  
of Tax return~~
- (xii) The company has surrendered an income of ₹ 10 Cr., which was not previously recorded, in the tax assessments during the year.
- (xiii) ABC Ltd. defaulted in repayment of dues to SBI and PNB. Though its financial position seems good, it failed to make good the default hence the bank has declared it wilful defaulter.
- (xiv) The company had taken a loan for project financing from ICICI Bank. It used ₹ 10 lac. out of total loan of ₹ 80 lac. in buying a car for the General manager supervising the new project. Comment.
- (xv) A short term loan amounting to ₹ 1 cr. was utilised to buy a building for investment purpose as management is expecting a bullish trend in property market.

xvi) The financial position of its subsidiary is not sound. It finds itself unable to meet loan obligations. Thus ABC Ltd. raises ₹ 10 lac so that the subsidiary Ltd. can meet the obligation.

(xvii) ABC Ltd. has 58% shares in S Ltd. Out of this, it pledged 10% shares and obtained loan of ₹ 10c. It however did not do any default in payment of instalments due. The auditor is of the opinion that in case of no default there is no requirement of reporting under CARO. Comment.

(xviii) The company has raised money through FPO. It is observed that money so raised have been applied for the purpose as stated in the prospectus.

(xix) What is the reporting requirement under CARO when the company has made preferential allotment during the year 2020 & 2021 by subsidiary?

(xx) The supplier has done a fraud on the company amounting to ₹ 20 lac which was duly reported by the management to the auditor.

(xvi) What are the reporting requirements under CARO, 2020 in case of client being Nidhi Co.

(xvii) The company has entered into a sales transaction during the year with its related party (Director) which is not on arm's length. Though it has disclosed the same as per FRF, it did not obtain approval u/s 188. It is to be noted that the company is not required to constitute audit committee.

CARO, 2020 in  
discussed  
class  
Nidhi Co.

(xviii) The company has appointed internal auditor in accordance with section 138. The statutory auditor is of the opinion that I.A. department is not suitable considering the voluminous transactions of the company. Comment.

(xix) The director has bought an old car of the company and given gold jewellery in consideration thereof. Comment.

(xx) What are reporting requirements regarding registration of NBFC. Discuss as required under clause XVI of CARO, 2020.

(xxi) Write down reporting requirements in CARO, 2020 regarding Core Investment Company (CIC).

(xxii) The company has incurred cash losses during the year and in the previous year as well. As per management, it was due to COVID situation prevalent worldwide resulting in less sales. Auditor is also of the view that Company is going concern having huge reserves & surpluses and thus there is no reporting requirement.

(xxiii) Predecessor of present statutory auditor had resigned. Discuss under CARO, 2020.

CARO, 2020  
for class  
for Sutlej Bank

(xxiv) After performing procedures as per SN-570, the auditor is of the opinion that there is no material uncertainty and hence no reporting is required under SA-570 & SA-700 under section named "Material uncertainty relating to going concern" or under CARO, 2020, comment.

(xxv) Reporting requirements under CARO, 2020 relating to compliance with section 135 (CSR) ?

(xxvi) The statutory auditor is not required to comment on any clause of CARO, 2020 in his audit report on consolidated financial statements. Comment with reporting requirement, if any.