

# Companies (Auditors Report) Order 2016

**AJSH & Co LLP**



## **Areas to be covered**

1. Overview of CARO 2016
2. Applicability of CARO 2016
3. Duties of Auditor
4. Summary of clauses
5. Clause wise analysis

## **Overview of CARO 2016:**

**Central Government in exercise of powers conferred under section 143 (11) of Companies Act, 2013 issued the Companies (Auditor's report) Order, 2016 ('CARO' or 'the Order') on 29 March 2016 in supersession of its Companies (Auditor's report) Order, 2015**

- Applicable for the financial years commencing on or after 1 April 2015.
- This Order is in supersession of the earlier the Companies (Auditor's Report) Order, 2015.
- CARO is not applicable to the auditors' report on the consolidated financial statements.
- Auditor to report on applicable clauses.
- We also need to refer Guidance Note on the Companies (Auditor's Report) Order, 2016

## **Applicability of CARO 2016:**

**CARO applies to all companies (including foreign companies) except the following :**

- a banking company as defined in clause (c) of Section 5 of the Banking Regulation Act, 1949;
- an insurance company as defined in the Insurance Act, 1938 ;
- a company licensed to operate under Section 8 of the Act ;
- a One person company (Section 2(62)) and small company (Section 2(85));and
- a private limited company with a paid-up capital and reserves not more than Rs 1 crore as on the balance sheet date and which does not have total borrowings exceeding Rs 1 crore from any bank or financial institution and does not have a turnover exceeding Rs 10 crores (but not a subsidiary or holding company of a public company).

## Applicability of CARO 2016:

- **Private Limited Company is exempt from applicability of CARO if:**

Particulars	CARO 2016
Paid up capital and Reserve & Surplus	Not exceeding <b>Rs 1 Crore</b> as on the balance sheet date
Total Borrowings from Banks or financial Institutions	Not exceeding <b>Rs. 1 Crore</b> at any point of time during the financial year
Total Revenue as per Schedule III	Not exceeding <b>Rs 10 Crores</b> during the financial year

- **All the above** mentioned conditions need to be satisfied in order to be **exempt** from applicability of CARO 2016 i.e. if any of the above condition meets out, CARO, 2016 will be applicable.

## Definitions:

### Meaning of Revenue :

- The term, “revenue”, has been defined by the Order as total revenue disclosed in **Schedule III of the Act**. Accordingly, the total revenue would include other income as per Schedule III.

### Meaning of Paid Up Capital:

- **“Paid-up share capital”** as, “that part of the subscribed share capital for which consideration in cash or otherwise has been received. This **includes bonus shares** allotted by the corporate enterprise”.
- Includes both equity as well as the preference.
- Share application money received **not** to be considered.

### Meaning of Reserves & Surplus:

As disclosed in the financial statements prepared as per schedule III of Companies Act 2013.

## Definitions:

### **Borrowings from banks and financial institutions :**

- Any time during the financial year .
- Can be long term / short term / term loans / demand loans / overdraft facilities etc.
- For term loans, interest accrued and due is considered as a borrowing {interest accrued but not due is not considered as a borrowing}.

### **Financial institutions :**

- Sub section (39) of section 2 of the Act defines the term “financial institution” to include a scheduled bank, and any other financial institution defined or notified under the Reserve Bank of India Act, 1934.
- the term “financial institution” shall also cover a non-banking financial company (NBFC)
- Private banks or foreign banks are banking institutions under the Banking Regulation Act, 1949

## **Duties of Auditor:**

### **Auditor to maintain working papers in the context of the requirements of the Order :**

There should be evidence:

- that the opinion expressed by the auditor is based on an examination made by him.
- to show that in arriving at his opinion, the auditor has given due cognisance to the information and explanations given by the company
- to show that the information and explanations obtained were full and complete for arriving at his opinion.
- that the auditor did not merely rely upon the information or explanations given by the company but that he subjected such information and explanations to reasonable tests to verify their accuracy and completeness



## **Duties of Auditor:**

- **As per the requirements of Standard on Auditing (SA) 230, “Audit Documentation”, the auditor may take the following steps to ensure that he has adequate working papers to support the conclusions drawn in his report :**
- submit to the company, a questionnaire on all important matters covered by the Order.
- make specific inquiries in writing on all important matters not covered by the questionnaire.
- insist that replies of the company are furnished in writing and are signed by a responsible officer of the company

## Summary of CARO 2016 clauses

Clause No.	Particulars
3(i)	Fixed Assets
3(ii)	Inventories
3(iii)	Loans granted
3(iv)	Loans, Investments, Guarantee & Security
3(v)	Acceptance of Deposits
3(vi)	Cost Records
3(vii)	Statutory dues
3(viii)	Loans or borrowings from Banks, Financial Institutions, Government and dues to debenture holders
3(ix)	IPO/ further public offer (including debt instruments and Term Loans
3(x)	Fraud

## Summary of CARO 2016 clauses

Clause No.	Particulars
3(xi)	Managerial Remuneration
3(xii)	Nidhi Company
3(xiii)	Related Party Transactions
3(xiv)	Preferential Allotment/private placement of shares, convertible debentures
3(xv)	Non-Cash transactions with directors or person connected with him
3(xvi)	Registration under Section 45-IA of the Reserve Bank of India Act,1934



# Clause wise analysis

## Clause 3(i)- Fixed Assets

### Clause 3(i)(a):-

- Whether the company is **maintaining proper records** showing full particulars, including **quantitative details** and **situation of fixed assets**.

### Clause 3(i)(b):-

- Whether these fixed assets have been **physically verified by the management** at reasonable intervals; whether any **material discrepancies** were noticed on such verification and if so, whether the same has been properly dealt with in the books of account.

### Clause 3(i)(c):-

- Whether the **title deeds of immovable properties** are held in the name of the company. If not, provide the details thereof.

## Important aspects for Clause 3(i)(a)

### Maintaining proper records: -

Order does not define as to **what constitutes 'proper records'**. Guidance Note provides below clarifications:

- Year of acquisition, sufficient description, classification, situation; quantity, original cost; useful life; rate(s)/ basis of depreciation or amortization; particulars regarding sale, discarding, demolition, destruction, etc.
- to **tallied** with the figures shown in books of accounts.
- Maintain adequate documentation evidencing the evaluation of controls that seek to ensure the **completeness, accuracy and inalterability** of the register.

## Important aspects for Clause 3(i)(b)

### Physical Verification: -

- Physical verification is the **responsibility of the management**, however the auditor **may** choose to observe physical verification.
- Fixed assets to be verified at **reasonable intervals** (i.e. annual, rotational or once in a block of years)- factors to be considered include the number of assets, the nature of assets, difficulty in verification, situation etc.
- If a **material discrepancy** has been properly dealt with in the books of account, it is not necessary for the auditor to give details of the discrepancy or of its treatment in the accounts. Only to report that “A material discrepancy was noticed on the verification of fixed assets and that the same has been properly dealt with in the books of account”.
- Assets **given on Lease**, where if not verified, whether verified and confirmed by the Lessee

## Important aspects for Clause 3(i)(c)

### Immovable properties: -

- Act **does not define** the term “Immovable Property”. However as per General Clauses Act, 1897, it shall include
  - land,
  - benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth.
- Auditor is required to identify immovable properties under ‘Fixed assets’ and verify the title deeds of such immovable properties. Plant and Machinery embedded in land etc., **are not considered** as an immovable property.
- Guidance Note provides that the following documents mainly constitute ‘title deeds’ of immovable property:
  - Registered sale deed, transfer deed, etc.,
  - In case of leasehold land/buildings, the registered lease agreement.
- Disclose immovable properties which have been acquired, but the **title is in the process of being transferred** to the company – number, gross block and net block.
- In case title deeds are **mortgaged**, confirmation to be sought from the lender.



## Clause 3(ii)- Inventories

- Whether physical verification of inventory has been conducted at **reasonable intervals** by the management and whether any **material discrepancies** were noticed on physical verification and if so, whether the same have been **properly dealt** with in the books of account

## Important aspects for Clause 3(ii)

- Physical verification of the inventory is the **responsibility** of the management.
- Physical verification of inventories to be done at **reasonable intervals**; determine reasonable intervals considering
  - ✓ Nature of inventories, their location and the feasibility of conducting a physical verification
- Auditor to ascertain whether the management has instituted adequate **cut-off procedures** for verification of inventories.
- Should verify all material items **at least once in a year** and more often in appropriate cases.
- Identify the stocks at the year end **lying with third parties** and the extent to which they have been physically verified by the management, and, if not, the extent to which they have been confirmed by the third parties

## Clause 3(iii)- Loans to companies etc. listed in register under Section 189

### Clause 3(iii):-

- Has the company **granted** any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained **under Section 189** (Register of Contracts or Arrangements in which **Directors are Interested**) of the Act.

### Clause 3(iii)(a)

- whether the terms and conditions of the grant of such loans are not **prejudicial** to the company's interest;

### Clause 3(iii)(b)

- whether the schedule of **repayment** of the principal and payment of interest has been stipulated and whether the repayments or receipts are regular; and

### Clause 3(iii)(c)

- if the amount is overdue, state the total amount overdue for **more than ninety days**; and whether reasonable steps have been taken by the company for **recovery** of principal and interest

## Important aspects for Clause 3(iii)

- Sub-clause (a) applicable to all loans **granted and renewed** during the year
- The clause is applicable for **all kinds of loans** i.e. whether short term or long term
- Under section 189, company required to maintain register(s) in respect of contracts and arrangements to which **Sec 184** (Disclosure of Interest by Directors) **and Sec 188** (Related Party Transactions) of the Act applies. (details to be maintained in **Form MBP-4**)
- **Terms and conditions** would primarily include rate of interest, terms and period of repayment and restrictive covenants.

## Important aspects for Clause 3(iii)(a)

### Whether Prejudicial

- In examining prejudicial to interest, the auditor to also examine **ability to lend**, terms of borrowing, borrowers financial standing, credit rating, nature of security, rate of interest (reference to Section 186) etc.
- Loans given at a time when parties not required to be entered in the register u/s 189 but **during the year came** with the ambit of section 189 to be reported under this clause
- Following is an **example of an unfavourable comment** by the auditor under this clause:-

“According to the information and explanations given to us and based on the audit procedures conducted by us, we are of the opinion that the terms and conditions of loans granted by the company to two parties covered in the register maintained under section 189 of the Companies Act, 2013, (total loan amount granted Rs ---- and balance outstanding as at balance sheet date Rs -----) are prejudicial to the company’s interest on account of the fact that the loans have been granted at an interest rate of X% per annum which is significantly lower than the cost of funds to the company and also lower than the prevailing yield of government security close to the tenor of the loan”.

## Important aspects for Clause 3(iii)(b)

### Regularity

- Reporting on regularity of repayment of principal amount and payment of interest to be restricted for companies, firms or other parties covered in the register maintained u/s 189 of the Act
- The term ‘regular’ should be taken to mean that principal and interest should normally be paid or received whenever **they fall due** respectively.
- In case of **no stipulation** for repayment of the loan, auditor to mention this fact in audit report and report that he is unable to make specific comment on regularity of repayment of principal and interest
- In case where the schedule of repayment of principal & payment of interest is stipulated but repayment of principal or payment of interest is **not regular** then the auditor may report the fact

## Important aspects for Clause 3(iii)(c)

### Steps taken for recovery

- Auditor to determine the total amount overdue (principal and interest) for more than 90 days from such parties **as at balance sheet date**
- Reasonable steps for recovery of loan **would not necessarily include legal steps.**
- Where reasonable steps not taken Auditor to report, cases and details of principal and interest overdue.

## Clause 3(iv)- Compliance with respect to section 185 and section 186

- In respect of **loans, investments, guarantees, and security** whether provisions of **section 185** (Loans to Directors etc.) **and section 186** (Loans and Investment by Company) of the Companies Act, 2013 have been complied with.
- If not, provide the details thereof.
- Section 185:- This primarily deals with the subject of person to whom **company cannot** give loan.
- Section 186:- This section enlists the exceptions and **specifies the limits** up to which a company can give loan.



## Important aspects for Clause 3(iv)

- Section 185 provides restrictions on companies to provide **loans/guarantee/ security** to directors and persons in whom directors are interested.
- Section 186 restricts companies from making **investments** through more than two layers of investment companies and restricts loans/ guarantee / security or investment to/in another body corporate **above a certain limit** unless a special resolution has been passed
- Section 186 also provides that no loan under the section would be provided at a rate of interest **lower than** the prevailing yield on Government Security
- **Indirect loan** is not defined in section 185,
- As per Guidance Note Indirect loan mean a loan to a director through the agency of one or more intermediaries
- *For example, if company A borrows from company B and lends the same to company C and loan from B to C is covered by section 185. In this case section 185 shall also be applicable in case of lending from company A to C because it would be construed as an indirect loan from B to C.*

## Clause 3(v)- Acceptance of Deposits

- In case the company has **accepted deposits from the public**, whether the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under, where applicable, have been complied with.
- If not, **nature of the contraventions** should be stated; if an order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any Tribunal whether the same has been complied with or not?

## Important aspects for Clause 3(v)

- Deemed deposits i.e. loans from shareholders, relatives or other parties are covered and need to be reported
- Section 2(31) has defined ‘deposit’ to include **any receipt of money by way of deposit or loan** or in any other form by a company, but does not include such category of amount as may be prescribed in consultation with the Reserve Bank of India.
- The auditor should examine compliance by the company with regard to all the matters specified in the sections and the Rules and not merely to the limits of the deposits.

## **Clause 3(vi)- Maintenance of Cost records**

- Where maintenance of cost records has been prescribed by the Central Government under sub-section (1) of section 148 of the Act, whether such accounts and records have been made and maintained.

## Important aspects for Clause 3(vi)

- Auditor needs to review whether cost records are **required** to be maintained for any product(s) or services of the company under section 148 of the Act, and The Companies (Cost Records and Audit) Rules, 2014.
- Auditor to report whether cost accounts and records have been made and maintained; ‘made’ applies in respect of cost accounts and ‘maintained’ applies in respect of cost records relating to materials, labour, overheads etc.
- Auditor to report **irrespective** of whether cost audit required

## Clause 3(vii)- Statutory Dues

### Clause 3(vii)(a):-

- Whether the company is **regular** in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a **period of more than six months** from the date they became payable, shall be indicated

### Clause 3(vii)(b):-

- Where dues of income tax or sales tax or service tax or goods and service tax or duty of customs or duty of excise or value added tax have not been deposited **on account of any dispute**, then the **amounts involved** and the **forum where dispute is pending** shall be mentioned. (A mere representation to the concerned Department shall not be treated as a dispute).

## Important aspects for Clause 3(vii)(a)

- List out outstanding statutory dues as at the **last day of the financial year** for a period of more than six months from the date they became payable.
- Ensure that disclosure is restricted to the actual arrears and should not include the amounts which have not fallen due for deposit and have been shown as arrears at the balance sheet date

## Special Case

- In case of Non-payment of advance income tax would constitute default in payment of statutory dues. It may, however, happen that the company might not have any taxable income on the due dates on which advance tax is required to be paid. If such a company has an income after the last date on which the advance tax was required to be paid and consequently the company incurs interest under the relevant provisions of the Income Tax Act, 1961, it should not be construed that the company is not regular in depositing advance tax.



## Important aspects for Clause 3(vii)(b)

- Amounts which have been disputed, not provided, not deposited.  
**Needs to be reported**
- Amounts, disputed at a forum, not paid, but have already been provided for.  
**Needs to be reported**
- Show case notices (SCN)  
Mere issuance of SCN by the concerned department – not a demand  
**Not required to be reported**
- Details of disputed statutory dues for each year and each statute to be reported separately

## Clause 3(viii)- Repayment of dues

- Whether the company has defaulted in **repayment** of loans or borrowing to a financial institution, bank, Government or **dues** to debenture holders? If yes, the period and the amount of default to be reported (in case of defaults to banks, financial institutions, and Government, lender wise details to be provided)

## Important aspects for Clause 3(viii)

- Financial Institution includes Public Financial Institutions, as well as Non-Banking Institutions.
- **Lender wise details** to be provided in case of defaults to financial institution or bank or government.
- For reporting purposes, “borrowings” may be construed as the **principal amount** and the term “dues” would mean the **principal and the interest**.
- If an application for reschedulement/restructuring proposals is pending for ultimate approval, it does not mean that no default has occurred.
- Guidance Note explains that “default” means non-payment of dues to banks, financial institutions or debenture holders on the last dates mentioned in the loan agreements
- The auditor should report the period and amount of all defaults **existing at the balance sheet** date irrespective of when those defaults have occurred.

## **Clause 3(ix)- Money raised through IPO & Term Loans**

- Whether moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised.
- If not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported

## Important aspects for Clause 3(ix)

- Examine offer document to get an understanding of proposed **end-use of money raised** from public.
- Verify that the amount of end-use of money disclosed in the financial statements by the management
- Verify that it is **not materially different** from the proposed and actual end use.
- Term loan obtained from entities/persons other than banks/financial institutions would also have to be examined.
- Examine the **terms and conditions** subject to which the company has obtained the term loans.
- Obtain sufficient appropriate audit evidence regarding the utilisation of the amounts raised.
- Compare the purpose for which term loans were sanctioned with the actual utilisation of the loans

## **Clause 3(x)- Fraud**

- **Whether any fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated.**

## Important aspects for Clause 3(x)

- Examine the following to ascertain whether any fraud has been reported or noticed by the management?
  - Internal Audit Report
  - Enquiry from the management
  - Enquiry from officers of the company
  - Minute Books
  - Any reporting u/s 143(12)
- The scope of auditor's inquiry under this clause is restricted to frauds 'noticed or reported' **during the year**
- Fraud by the **officers or employees** on the company **ONLY** to be covered in CARO 2016

## **Clause 3(xi)- Managerial Remuneration**

- **Whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act?**
- **If not, state the amount involved and steps taken by the company for securing refund of the same;**



## Important aspects for Clause 3(xi)

- Not applicable to a private company
- Computation of limits specified in Section 197 and the Schedule V
- Approval of the central government for payment in case not able to comply with conditions prescribed (**excess of eleven percent**) .
- Remuneration to exclude payments for service rendered of professional nature and the director possesses requisite qualification for practice of that profession; **Sitting fees** to be excluded
- Net profit for the purpose of limits to be computed as per Section 198
- Waiver of excess payments is not allowed without central government approval
- The default may be reported incorporating the following details:-
  - (i) Amount paid/ provided in excess of the limits prescribed
  - (ii) Amount due for recovery as at Balance Sheet date
  - (iii) Steps taken to secure the recovery of the amount

## **Clause 3(xii)- Nidhi Company**

- **Whether the Nidhi company has complied with the Net Owned Funds to Deposits in the ratio of 1 : 20 to meet out the liability and whether the Nidhi company is maintaining ten percent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability [Clause 3(xii)]**

## Important aspects for Clause 3(xii)

- Not applicable to a private company
- Computation of limits specified in Section 197 and the Schedule V
- Approval of the central government for payment in case not able to comply with conditions prescribed (**excess of eleven percent**) .
- Remuneration to exclude payments for service rendered of professional nature and the director possesses requisite qualification for practice of that profession; **Sitting fees** to be excluded
- Net profit for the purpose of limits to be computed as per Section 198
- Waiver of excess payments is not allowed without central government approval
- The default may be reported incorporating the following details:-
  - (i) Amount paid/ provided in excess of the limits prescribed
  - (ii) Amount due for recovery as at Balance Sheet date
  - (iii) Steps taken to secure the recovery of the amount

## **Clause 3(xiii)- Related Party Transactions**

- **Whether all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and**
- **the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standard**

## Important aspects for Clause 3(xiii)

- The Act provides the list of transactions ,check compliance and disclosure
- Arm's length price defined in section 188 and SA 550
- Guidance Note mentions that Auditor may test the transaction based on the **Arm's length pricing mechanism** in the Income tax Act
- Indicators to assess ordinary course of business
  - Whether transaction is covered in the objects of the company
  - Whether transaction is usual or unusual
  - Frequency of the transaction
  - Size and volume of the transaction
  - Business purpose of the transaction

## Important aspects for Clause 3(xiii)

### Compliance of Section 188

- Obtain a list of companies, firms or other parties, the particulars of which are required to be entered in the register maintained under section 189
- Related party transactions referred in sub sec (1)
- Transaction in the ordinary course of business and on arm's length basis
- Board Resolution and prior approval of general meeting
- Related party would not participate in resolution.

### Compliance of Section 177

- Listed companies and other specified companies to have 'audit committee'
- Audit committee to approve and subsequent modification of transactions with related parties

### Definitions as per AS-18

- **Related party** - parties considered to be related if at any time during reporting period one party has ability to control other party or exercise significant influence over other party in making financial and/or operating decisions.
- **Related party transaction** - a transfer of resources or obligations between related parties, regardless of whether or not price charged.

## **Clause 3(xiv)- Preferential Allotment**

- **Whether the company has made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and if so,**
- **Whether the requirement of section 42 of the Companies Act,2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised.**
- **If not, provide the details in respect of the amount involved and nature of non-compliance.**

## **Important aspects for Clause 3(xiv)**

- Section 2(42)- ‘Private Placement’ has been defined to mean any offer of securities or invitation to subscribe securities to a select group of persons by a company.

### **Compliance of section 42.**

- Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 also need to be complied with. Form PAS-4, Private Placement Offer Letter requires the company to provide particulars in respect of the purposes and objects of the offer.
- Accordingly, the auditor should compare such information with the actual utilization of the monies as per the books of account of the Company and report accordingly.



## Special Case

- If a company, listed or unlisted, makes an offer to allot or invites subscription, or allots, or enters into an agreement to allot, securities to more than the prescribed number of persons, whether the payment for the securities has been received or not or whether the company intends to list its securities or not on any recognized stock exchange in or outside India, the same shall be deemed to be an offer to the public and shall accordingly be governed by the provisions of Public offer

## **Clause 3(xv)- Non-cash transactions with a Director**

- **Whether the company has entered into any non-cash transactions with a director (of the company ,its holding, subsidiary or associate) or persons connected with him and if so, whether the provisions of section 192 of Companies Act, 2013 have been complied with:**

## Important aspects for Clause 3(xv)

- Compliance with Section 192 needs to be checked
- Auditor to report whether non cash transactions have been entered with directors if yes the auditor further has to report whether the provisions of section 192 are complied.
- Sec 192 covers two aspects
  - Where a director of the company, its holding company or associate company or a person connected with such director **acquires or is to acquire assets** from the company for consideration other than cash
  - Where the company acquires or is to acquire assets from the director or persons connected with such director

## **Clause 3(xvi)- Companies Registered u/sec 45-IA of RBI Act, 1934**

- **Whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained?**

## Important aspects for Clause 3(xvi)

- The auditor is required to examine whether the company is engaged in the business which attract the requirements of the registration. The Registration is required where the **financial activity** is a principal business of the company “Financial activity as principal business is when the company’s **financial assets constitute more than 50 per cent of the total assets** and **income from financial assets constitute more than 50 per cent** of the gross income.”
- The financial statements should be examined to ascertain whether they meet the aforesaid test
- The auditor to further examine whether the company satisfies the net worth criteria required for registration and whether the registration has been obtained and report accordingly.
- The Reserve Bank of India **restrict** companies from carrying on the business of a non-banking financial institution without obtaining the certificate of registration.
- The auditor is required to examine whether the company has **obtained the registration** as NBFC, if not, the reasons should be sought from the management and documented.
- Guidance is given in **Appendix XI** of the Guidance Note.

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