

Western India Regional Council of ICAI

Issues in Clauses of Tax Audit.



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Objectives

- Tax Audit was introduced by the Finance Act 1984 and has been applicable from A Y 1985-86.
- Objective of tax audit as laid down in the Memorandum to Finance Bill, 1984 explaining the purpose of its introduction is inter alia to facilitate the income tax administration to properly assess the income of the concerned assesseees.

Applicability

- Business Total sales / turnover / gross receipts exceed Rs. 40 lakhs upto A Y 2010-11 and Rs. 60 lakhs for A Y 2011-12 & 2012-13 and Rs. 1 Crore wef AY 2013-14.
- Profession : Gross receipts exceed Rs. 10 lakhs upto A Y 2010-11 and Rs. 15 lakhs for A Y 2011-12 & 2012-13 and Rs. 25 lakhs wef AY 2013-14.
-
- If income claimed is lower than the presumed income under section 44AD (Retail business), 44ADA (Professionals), 44BB (Oil exploration by non-residents) or 44BBB (Project execution by foreign companies).

Turnover

- Turnover means aggregate amount for which sales (including sale of scrap) are effected or services rendered by an organisation. It should be interpreted in accordance with method of accounting regularly employed.
- If the turnover is inclusive of sales tax and excise duty, no adjustment is required to be made for considering the quantum of turnover.
- Sales may be reduced by Trade discounts given,
- In case of a professional gross receipts in profession would include all receipts other than re-imburements recovered separately.
- In case of both business and professional being carried out, Tax Audit needs to be carried out if the turnover limit exceeds in either of the same.
- Sales from all businesses held together to be consolidated to determine the prescribed limits, in case more than one business is carried out.

Penalty for failure

- Penalty for failure to get accounts audited without reasonable cause is $\frac{1}{2}$ % of turnover or Rs. 1 lakh upto A Y 2010-11 and Rs. 1.50 lakhs wef A Y 2011-12, whichever is less u/s.271B. Levy of penalty does not obviate audit requirement. Return of income without tax audit report is defective and can become invalid and other consequences will follow

General Points

- Appointment of tax auditor need not be by general body, it can be by board or under delegated powers of board.
- Communication with previous tax auditor is necessary.
- Prohibitions on accepting tax audit assignment to be taken care of .
- Ceiling on No of Tax Audits per member to be taken care of.
- Form 3CD is only disclosure & verification of particulars Certifying particulars in Form 3CD means certifying correctness of requisite information and details and does not amount to certifying computation of income.
- Even when a tax auditor is reporting in Forms 3CA / 3CB and 3CD compliance with AS and SA should be ensured in respect of details and information being given in Form 3CD.
- When there is genuine difference in view points between the tax auditor and the assessee, it is advisable to state view points of both and also the relevant information to enable the tax authorities to take decision in the matter.

General Points [Cont'd]

- Auditor can rely on judicial pronouncements while taking any view on inclusion or exclusion of any item to be furnished under any clause.
- If particular expenditure falls under more than one clause, suitable disclosures to that effect be made.
- Latest updated legal provisions to be considered.
- Any difference between the figures given in the audited financial statements and those in form 3CD should be explained by giving appropriate notes.
- Views of tax auditor are neither binding on assessee nor on the department, Information given should be based on what is appearing in books of account and what is made available to auditor . (e.g. 'any other item of income not credited to profit and loss account ') .
- Responsibility of furnishing true and correct particulars in form 3CD is that of the assessee. The tax auditor has the primary responsibility to verify such particulars and to ensure that such particulars are in conformity with relevant provisions of the Income-tax Act

Recent Amendment

- Notification 33, dated 25/07/2014 has amended the forms for reporting under section 44AB of the Income Tax Act, 1961.
- New Form 3CA / 3CB (Audit Reports)
- New Form 3CD (Statement of Particulars)

Form 3CA

- Point 1(a) the audited *profit and loss account / income and expenditure account for the **period *beginning from -----to ending on -----***.
- Point No.3 In *my / our opinion and to the best of *my / our information and according to ***examination of books of account including other relevant documents*** and explanations given to *me / us, the particulars given in the said Form No.3 CD are true and correct ***subject to the following observations/qualifications, if any:***
- This report has to be signed by a person eligible to sign the report as per the provisions of section 44AB of the Income Tax Act, 1961.
- SA700 (Revised) to be considered

Form 3CB

- Point 1 the *profit and loss account / income and expenditure account for the period *beginning from -----to ending on -----*.
- Point No. 5 In *my / our opinion and to the best of *my / our information and according to explanations given to *me / us, the particulars given in the said Form No.3 CD are true and correct *subject to the following observations/qualifications, if any:*
- This report has to be signed by a person eligible to sign the report as per the provisions of section 44AB of the Income Tax Act, 1961.
- SA700 (Revised) to be considered

Form 3CD

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|--|--|
| 4 (New) | <i>Whether the assessee is liable to pay indirect tax like excise duty, service tax, sales tax, customs duty, etc. if yes, please furnish the registration number or any other identification number allotted for the same</i> | List of all indirect tax registrations to be obtained |
| 8 (New) | <i>Indicate the relevant clause of section 44AB under which the audit has been conducted</i> | 44AB(a) Total sales / Turnover 44AB(b) Professional receipts 44AB(c) if business is u/s 44AE, 44BB (Exploration of Mineral oil), 44BBB (Foreign companies in Turnkey Power Projects) 44AB(d) Under 44AD and Income is less than 8% of turnover |

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|--|--|
| 11(b) (9(b)) | <p><i>List of books of account maintained and the address at which the books of accounts are kept.</i></p> <p>(In case books of account are maintained in a computer system, mention the books of account generated by such computer system. <i>If the books of accounts are not kept at one location, please furnish the addresses of locations along with the details of books of accounts maintained at each location.</i>)</p> | <p>Detail addresses and books of account maintained at various places including Warehouse / Plant / branches needs to be given. (As relevant Excise / Sales Tax reg requires books of accoount to be maintained)</p> <p>Books of accounts includes ledgers, statuary registers, cash books, and other books whether kept in written form or stored in on any electro magnetic data storage device.</p> <p>What about data maintained on centralised software ?</p> |

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|--|---|
| 11(c) (9 (c)) | List of books of account <i>and nature of relevant documents examined</i> | Details of documents maintained needs to be obtained. |
| 12 (10) | Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant, section (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, <i>Chapter XII-G, First Schedule</i> or any other relevant section). | Chapter XII-G – Shipping Business First Schedule – Insurance. |
| 13 (c) (11 (c)) | If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss | Format Prescribed Details to be given in the form itself and not in Annexure |

Stock in trade & Valuation (14)

- As 2 requires cost formulae FIFO and weighted average for the purpose of valuation of inventories. It also emphasizes absorption costing for inclusion of production overheads
- Even an assessee following cash system of accounting needs to follow AS2 for valuation of inventories: ICAI publication on Issues on Tax Audit and SC decision in case of CIT vs. A. Krishanaswami Mudaliar 53 ITR 122.
- New Guidance Note on Accounting for Modvat makes the 'exclusive method' compulsory from 01. 04. 99. Adoption of inclusive method will call for a qualification in audit report. Although in the long run, both the methods are claimed to be tax neutral, there may be some divergence in profit figures on year to year basis.

Stock in trade & Valuation

- In cases of stock details submitted to bank are different than those appearing in the stock records / books of account / financial statements, auditor should obtain suitable explanation from the assessee. In case of material discrepancy, auditor may write a suitable note or qualification.
- State level VAT also needs to be adjusted in the manner prescribed.
- However, VAT on Closing Stock should not be considered as VAT is a liability arising only on sale.

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|---|---|
| 14 (b) (12 (b)) | In case of deviation from the method of valuation prescribed under section 145 and the effect thereof on the profit or loss, please furnish | Format Prescribed Details to be given in the form itself and not in Annexure |
| 17 (New) | Where any land or building or both is transferred during the previous year for a consideration less than value adopted or assessed or assessable by any authority of a State Government referred to in section 43CA or 50C. Furnish <ul style="list-style-type: none"> ▪Detail of Property ▪Consideration received or accrued ▪Value adopted or assessed | All agreements / documents executed and registered need to be checked. |

Depreciation (18)

- The key words for reporting in clause 14 are 'depreciation allowable' and would require exercise of judgment on the part of the tax auditor. Basis of view may be cited in appropriate cases. Details of past litigations need to be stated for e.g. depreciation on leased assets, classification rate, effect of subsidy, exchange rate fluctuation etc.. In case of difficulty in classification of assets tax auditor may rely upon opinion of technical expert and state the fact of such reliance.
- In calculating depreciation allowable under the Income Tax Act, basis would be actual cost as defined in section 43(1). Thus even in case of an assessee following cash system of accounting depreciation will have to be provided on full actual cost i.e. whether paid during the pervious year or not.

Depreciation

- Unlike As16 on borrowing costs, Income Tax Act recognizes only the date on which asset was first put to use and it disregards the factors like length of period of acquiring an asset, suspension of work in construction of an asset etc. This conceptual difference between AS 16 and section 32 will result into difference in amount of depreciation as per books of account / financial statements and depreciation allowable under income tax provisions. Clause 14 specifically requires to state depreciation as per Income Tax provisions. Difference between the depreciation as per books of account and as in Form 3CD should be reconciled by the tax auditor

Depreciation

- W.e.f. A.Y. 2003-04 in view of amendment the section 43A, exchange difference arising in respect of liabilities incurred for acquiring fixed assets can be adjusted to cost of such assets only to the extent of payment, irrespective of method accounting followed by the assessee.
- Tax auditor will have to inter alia consider schedule XIV to the Companies Act 1956, the concept of block of assets and provisions of section 50 of the Act. Explanation (8) to section 43(1) and proviso to section 36(1)(iii) will also have a bearing on cost of acquisition.
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Depreciation

- In terms of AS6 (Para 28) non-corporate entities are also required to disclose the historical cost and accumulated depreciation of each class of assets.
- Sales Tax set off and Modvat credit, have similar characteristics and both would go to reduce cost of fixed assets.
- Section 32 has been amended to provide for additional depreciation on new machinery or plant acquired and installed by assessee engaged in the business of generation of power wef AY 2013-14.

Depreciation

- In case of Disputes with Income Tax Department
- ICAI has recommended at Paragraph No. 26.7 of the Revised Guidance Note Recommended Note in the ICAI Guidance Note vis-à-vis “Disputes with tax authorities”:
 - NOTE: Certain disputes about (a) the rate of depreciation on _____ (b) determination of WDV of block of assets relating to _____ and (c) ownership of _____ have arisen in the assessment years _____ for which assessments are pending/appeals are pending. The figures of WDV and/or rate of depreciation mentioned in the above statement may require modification when these disputes are resolved. Therefore, the amount of depreciation allowable as stated in the above statement will have to be accordingly modified.

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|---|---|
| 19 (15) | Amounts admissible under sections 32AC, 33AB, 33ABA, 33AC, 35, 35ABB, 35AC, 35CCA, 35CCB, 35CCC, 35CCD, 35D, 35DD, 35DDA, 35E | Format Prescribed Details to be given in the form itself and not in Annexure |
| 20 (b) (16 (b)) | <p>Details of contribution received from employees for various funds as referred to in section 36(1)(va)</p> <ul style="list-style-type: none"> ▪Serial No. ▪Nature of Fund ▪Sum received from employees ▪Due Date for Payment ▪Actual Amount Paid ▪Actual date of payment to the concerned authorities | Format Prescribed Details to be given in the form itself and not in Annexure |

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|---------------------------------|--|--|
| 21 (a) (17 (a) to 17 (e)) | Please furnish the details of amounts debited to the profit and loss account, being in the nature of capital, personal, <i>advertisement expenditure</i> etc. . . Expenditure incurred at clubs being cost for club services and facilities used. | Format Prescribed and Clause 17 (a) to 17 (e) merged. All advertisements to be considered, earlier 17 (c) asked only for Political advertisements. Reporting of entrance fees and subscriptions to clubs omitted. |

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|--|--|
| 21 (b) (17 (f)) | <p>Amounts inadmissible under section 40(a):- (i) as payment to non-resident referred to in sub-clause (i) (A) Details of payment on which tax is not deducted (B) Details of payment on which tax as been deducted but has not been paid during the previous year or in the subsequent year before the expiry of time prescribed under section 200(1)</p> | <p>Details asked :</p> <ul style="list-style-type: none"> ➤ Date of payment ➤ Amount of payment ➤ Nature of payment ➤ Name and address of payee ➤ Amount of Tax deducted, if any |

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|--------------------|---|--|
| 21 (b) (17 (f)) | (ii) as payment referred to in sub-clause (ia) (A) Details of payment on which tax is not deducted (B) Details of payment on which tax has been deducted but has not been paid on or before the due date specified in sub-section (1) of section 139. | <p>Details asked :</p> <ul style="list-style-type: none"> ➤ Date of payment ➤ Amount of payment ➤ Nature of payment ➤ Name and address of payee ➤ Amount of Tax deducted, if any |
| | (iii) under sub-clause (ic) [Wherever applicable] (iv) under sub-clause (iia) (v) under sub-clause (iib) (vi) under sub-clause (iic) (vii) under sub-clause (iid) (viii) under sub-clause (ive) | <ul style="list-style-type: none"> (ic) Fringe Benefit Tax (iia) Wealth Tax (iib) Royalty, License Fees etc. (iic) Salaries to NR on which Tax not deducted nor paid. (iid) Payment to pf (ive) Tax by employer referred in 10(10CC) |

TDS

- S. 40(a) (ia) has been amended by Finance Act 2010, wef A Y 2010-11 stating that deduction on account of rent , brokerage, commission, fees for technical service, fees for professional fees, royalty or work, shall be allowed only if proper TDS has been deducted and paid on or before the due date of filing return.
- The section has been amended wef A Y 2013-14 stating that no disallowance u/s. 40(a)(ia) shall be made if, the recipient has:
 - Furnished his return;
 - Taken into account such sum for computing income in such return of income; and
 - Paid the tax due on the income declared by him in such return of income, and furnishes a certificate to this effect from an accountant in such form as may be prescribed.

TDS

- Rule 31ACB prescribed Form 26A for the above purpose.
- Obtaining of a Tax Residency Certificate from tax authorities of the overseas jurisdiction made mandatory for non-residents to claim benefits under the DTAA's u/s 90(4) & 90 (5).
- S. 193 has been amended wef 01/07/2012, stating that
 - No deduction of tax on payment of interest on any debenture, (whether listed or not), if the aggregate amount of interest on such debenture paid by an account payee cheque during the financial year does not exceed Rs. 5,000.

TDS

- S. 194E has been amended wef 01/07/2012, stating that
 - Payments made to non-resident sportsmen or an entertainer who is not an Indian citizen or non-resident sports association/institution are now subject to TDS at the rate of 20% as against the earlier rate of 10%.
- S. 194J has been amended wef 01/07/2012, stating that
 - Any remuneration/fees/ commission by whatever name called other than those mentioned under section 192, paid to directors - covered under the purview of fees for professional or technical services

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|--|---|
| 21 (d) (17 (h)) | <p>Disallowance/deemed income under section 40A(3): (A) On the basis of the examination of books of account and other relevant documents/evidence, whether the expenditure covered under section 40A(3) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft.</p> | <p>Requirement of obtaining certificate omitted.</p> <p>Sufficient representations be obtained from Management</p> <p>Format Prescribed Details to be given in the form itself and not in Annexure</p> |

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|---|--|
| 21 (d) (New) | (B) On the basis of the examination of books of account and other relevant documents/evidence, whether the payment referred to in section 40A(3A) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft If not, please furnish the details of amount deemed to be the profits and gains of business or profession under section 40A(3A); | Payments made in current year in respect of liabilities incurred in the previous year. |
| 24 (19) | Amounts deemed to be profits and gains under section 32AC or 33AB or 33ABA or 33AC. | Withdrawal of Investment Allowance u/s 32AC also to be reported. |

S. 14A (21 (h))

- Clause 17(l) introduced, vide Notification No. 208/2006, dated 10/08/2006.
- Deductions inadmissible in respect of expenditure incurred in relation to income which does not form part of total income is to be mentioned.
- Sub sections (2) and (3) inserted in Section 14A vide Finance Act, 2006 wef AY 2007-08.
- New Rule 8D inserted vide Income Tax (Fifth Amendment) Rules, 2008.
- Calculation of amounts inadmissible is the obligation of the Assessee and the Auditor is only supposed to verify.
- The auditor may give a qualified opinion if he is of the opinion that the effect of any disagreement with the assessee is not so material., alternatively he can either give an adverse opinion or a disclaimer of opinion, depending on the circumstances of the case.

MSMED Act (22)

- Clause 17A introduced vide Notification No. 36/2009, dated 13/04/2009.
- Amended to Clause 22
- MSMED Act, 2006 came into effect from October, 2006.
- S. 23 of the MSMED Act states “Notwithstanding anything contained in the Income-tax Act, 1961, the amount of interest payable or paid by any buyer, under or in accordance with the provisions of this Act, shall not, for the purposes of computation of income under the Income-tax Act, 1961, be allowed as deduction
- Auditor to report only if interest debited to Profit and Loss Account.

Related Parties (23)

- S. 40A(2)(a) has been amended to
 - provides that the transactions referred to in Section 92BA (called Specified Domestic Transactions) with persons referred to in 40A(2)(b) shall be at Arm's Length Price as defined u/s 92F.
- S. 40A(2)(b) has been amended to include
 - Any other company carrying on business in which the first mentioned company has substantial interest will also be covered

S. 43B (26)

- Explanation 3C and 3D inserted vide Finance Act, 2006 wref AY 2007-08.
- Any interest which has been converted into a loan or borrowing or advance but has not been actually paid shall not be allowed as deduction in the computation of income.

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|--------------------|---|---|
| 27 (a) (22 (a)) | Amount of <i>Central</i> 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 <i>Central</i> Value Added Tax credits in the accounts. | MODVAT replaced with CENVAT |
| 28 (New) | Whether during the previous year the assessee has received any property, being share of a company not being a company in which the public are substantially interested, without consideration or for inadequate consideration as referred to in section 56(2)(viiia), if yes, please furnish the details of the same. | Valuation report of the shares be verified. |

MODVAT / CENVAT

- Include Cenvat availed on both raw material and fixed assets.
- ICAI suggests giving details of Opening and Closing balances also to avoid confusion.
- RG register figures may not tally with book figures if credit written off in books in view of perceived inability to utilise the same.
- Treatment of Cenvat /Modvat credits during financial year in P&L A/c. & o/s. credits in balance sheet to properly assess the income of the concerned assessee

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|---|--|
| 29 (New) | Whether during the previous year the assessee received any consideration for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2)(viib), if yes, please furnish the details of the same. | Valuation report of the shares be verified. Rules 11U and 11UA provide the valuation rules. |
| 31 (c) (24 (c)) | Whether the taking or accepting loan or deposit, or repayment of the same were made by account payee cheque drawn on bank or account payee bank draft based on the examination of books of account and other relevant documents | Requirement to obtain certificate omitted and direct responsibility shifted on auditor. Adequate representation to be obtained. |

B/F Depreciation Allowances

(32(a))

- If figures are likely to change due to assessment , reassessment, rectification or appeal proceedings fact to be mentioned.
- Data should be verified from past returns filed, Assessment / Appeal Orders, if any.
- Need not opine on admissibility Notification No. 21/2012.
- Check that the returns were filed within time limits prescribed u/s. 139(1) . Intimation to be considered as assessed on expiry of time limit u/s. 143 (2) . For late filing of returns unabsorbed depreciation can be c/ f . but not losses under various heads. Under this clause only b/ f to be reported and not c/f . Explaining the purpose of its introduction is inter alia to facilitate the income tax department.

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------|---|--|
| 32 (c) (New) | Whether the assessee has incurred any speculation loss referred to in section 73 during the previous year, If yes, please furnish the details of the same | Proper securities records need to be obtained. |
| 32 (d) (New) | Whether the assessee has incurred any loss referred to in section 73A in respect of any specified business during the previous year, if yes, please furnish details of the same. | Looses incurred on specified businesses eg. u/s 35AD. |
| 32 (e) (New) | In case of a company, please state that whether the company is deemed to be carrying on a speculation business as referred in explanation to section 73, if yes, please furnish the details of speculation loss if any incurred during the previous year. | Details of loss incurred in trading in shares of other companies by a company. |

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|---|--|
| 33 (26) | Section-wise details of deductions, if any, admissible under Chapter VIA <i>or Chapter III (Section 10A, Section 10AA)</i> | Format Prescribed Details to be given in the form itself and not in Annexure |
| 34 (a) (27 (b)) | Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-B or Chapter XVII-BB, if yes please furnish | etails to be provided based on Section and nature of transaction f more than one TAX obtained, separate information needs to be given TAN wise. |
| 34 (b) (27 (b)) | Whether the assessee has furnished the statement of tax deducted or tax collected within the prescribed time. | eporting to be done only when TDS/TCS returns not filed within due date. (S. 234E) ll transactions liable for TDS to be reported.. |

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|--------------------|---|---|
| 34 (c) (27 (b)) | Whether the assessee is liable to pay interest under section 201(1A) or section 206C(7). | Interest Liability needs to be worked out on each late payments |
| 36 (29) | In the case of a domestic company, details of tax on distributed profits under section 115-O in the following form :- (a) total amount of distributed profits; (b) amount of reduction as referred to in section 115-O(1A)(i); (c) amount of reduction as referred to in section 115-O(1A)(ii); (d) total tax paid thereon; (e) dates of payment with amounts. | 15-O(1A)(i)-Dividend received from subsidiary company on which DDT has been paid 15-O(1A)(ii)-Dividend paid to any person for or on behalf of New pension system trust referred to in clause 10 (44) |

Quantitative Details of Stock

- Principal items means more than 10% in value of purchases, consumption or sales.
- Quantitative details as per stock records should be reconciled with financial records and also with excise records and cost records, where applicable. In case of company assessee also reconcile with notes forming part of audited accounts.
- Raw materials would include anything that enters finished goods. So components will be included in raw materials.
- Details of scrap not required to be stated.
- A job worker need not report in this clause
- Where quantitative denominations of inputs and outputs are different for e.g. input in meters and output in numbers, tax auditor can state that it is not possible to ascertain yield/shortage unless there is an alternate method of conversion of the finished goods into the same unit of raw materials.

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------|--|---|
| 37 (30) | Whether any cost audit was carried out, if yes, <i>give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the cost auditor.</i> | Cost Audit Report needs to be studied and analysed. Requirement to attach copy omitted |
| 38 (31) | Whether any audit was conducted under the Central Excise Act, 1944, if yes, <i>give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the auditor.</i> | Central Excise Audit Report needs to be studied and analysed. Requirement to attach copy omitted |

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------|--|---|
| 39 (New) | Whether any audit was conducted under section 72A of the Finance Act,1994 in relation to valuation of taxable services, Finance Act,1994 in relation to valuation of taxable services, if yes, give the details, if any, of disqualification or disagreement on any matter/item/ value/quantity as may be reported/identified by the auditor | ervice Tax Audit Report needs to be studied and analysed. |
| 40 (32) | Details regarding turnover, gross profit, etc., for the previous year and preceding previous year: | otal Turnover to be additionally reported revious ear figures to be given. |

Ratios (40)

- Gross Profit according to ICAI Guidance Note is “The excess of the proceeds of goods sold and services rendered during the period over their cost , before taking into account administration, selling, distribution and financial expenses. When the result of this computation is negative, it is referred to as Gross Loss.
- Turnover according to ICAI Guidance Note is “The aggregate amount for which sales are affected or services rendered by an enterprise. The Terms Gross Turnover and Net Turnover (or Gross Sales and Net Sales) are sometimes used to distinguish the sales aggregate before and after deduction of returns and trade discounts.

Ratios (40)

- Net Profit according to ICAI Guidance Note is “The excess of revenue over expenses during a particular accounting period. When the result of this computation is negative, it is referred to as Net Loss”.
- The Net profit to be shown here is Net profit before tax.
- Stock in trade according to ICAI would include only closing stock of Finished Goods.
- Value of finished goods produced may be arrived at after considering Raw Material Consumption, Stores Consumption, Wages and Other Manufacturing Expenses excluding Depreciation and the net increase or decrease in WIP.

Form 3CD [Cont'd]

| Clause (Old ref) | Particulars | Issues / Remarks |
|------------------------|---|---|
| 41 (New) | Please furnish the details of demand raised or refund issued during the previous year under any tax laws other than Income Tax Act, 1961 and Wealth tax Act, 1957 along with details of relevant proceedings. | Obtain proper representation Details of proceedings to be given. |

Disclaimer

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Thank You

