

RJA

Rajput Jain & Associates
Chartered Accountants

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association of international
tax consultants

CARO 2003

V/S

CARO 2015

Committed To Provide Innovative Solutions

Rajput Jain & Associates, Chartered Accountants offers its clients a full range of services. The firm has been setup by a group of young, enthusiastic highly skilled and motivated professional who have taken experience from the top consulting firm and are extensively experienced in their chosen fields has providing a wide array of consultancy in the field of accounting , taxation , assurance and business advisory service to various clients and other stakeholders.

We are the exclusive member in India of the Association of International Tax Consultants, an association of independent professional firm represented throughout Europe, US, Canada, South Africa, Australia and Asia.





APPLICABILITY OF CARO 2015

<u>Includes</u>	<u>Excludes</u>	<u>Excludes</u>
<p><i>Foreign Companies under Section 2(42)</i></p>	<p><i>Banking Company</i> <i>Insurance Company</i> <i>One Person Company</i> <i>Companies with charitable objects u/s 8</i> <i>Small Companies u/s 2(85)</i></p>	<p><u>Private Companies</u> Capital + Reserves < Rs. 50 lakhs Outstanding loans < Rs. 25 lakhs Turnover < Rs. 5 Crore (at any time during the year)</p>

COMPARISON BETWEEN 'CARO 2003' AND 'CARO 2015'

<u>PARTICULARS</u>	<u>CARO 2003</u>	<u>CARO 2015</u>	<u>REMARKS</u>
Effective From	Came into force on the 1 st day of July, 2003.	Came into force on 10th April 2015.	
Applicability	CARO, 2003 was applicable to every company including a foreign company as defined under Section 591[4] of Act, 1956.	CARO, 2015 shall apply to every company including a foreign company as defined u/s 2(42) [3] of Act, 2013.	Applicability and the excepted companies more or less are constant. There has been addition of One Person Companies to the list of companies not required to follow CARO, 2015.
Exceptions	<ul style="list-style-type: none"> ▪ A banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949); 	<ul style="list-style-type: none"> ▪ A banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949); 	Exception Retained
	<ul style="list-style-type: none"> ▪ An insurance company as defined in clause (21) of section 2 of the Act; 	<ul style="list-style-type: none"> ▪ An insurance company as defined under the Insurance Act, 1938 (4 of 1938); 	Unlike in Act, 1956 an insurance company is not defined in Companies Act, 2013. Hence the reference has been made to definition under Insurance Act, 1938.
	<ul style="list-style-type: none"> ▪ A company licensed to operate under section 25 of the Act; and 	<ul style="list-style-type: none"> ▪ A company licensed to operate under section 8 of the Companies Act; 	Exception Retained
	<ul style="list-style-type: none"> ▪ No such exception. 	<ul style="list-style-type: none"> ▪ A One Person Company as defined under clause (62) of section 2 of the Companies Act and a small company as defined under clause (85) of section 2 of the 	Since the concept of One Person Companies has been introduced under Companies Act, 2013.

	<ul style="list-style-type: none"> ▪ A private limited company with a paid up capital and reserves not more than fifty lakh rupees; ▪ And has not accepted any public deposit; and does not have loan outstanding twenty five lakh rupees or more from any bank or financial institution; ▪ And does not have a turnover exceeding five crore rupees. 	<p>Companies Act;</p> <ul style="list-style-type: none"> ▪ A private limited company with a paid up capital and reserves not more than rupees fifty lakh; ▪ And which does not have loan outstanding exceeding rupees twenty five lakh from any bank or financial institution; ▪ And does not have a turnover exceeding rupees five crore at any point of time during the financial year. 	<p>Limit for amount of loan outstanding has been raised from INR 10 lakh to 25 lakh.</p> <p>However, no increase in the limit of turnover has been made. Small companies under Act, 2013 will not get covered unless the outstanding loan crosses the stipulated limits;</p>
Financial Year	<p>This Order was applicable for every financial year ending on any day on or after the commencement of this Order.</p>	<p>This Order will be applicable for the financial year commencing on or after 1st April, 2014;</p>	<p>Auditor will include statement as per CARO, 2015 in their auditor report for Financial Statement prepared for FY ending 31st March, 2015.</p>
<i>Matters to be included in the Auditor's Report</i>			
Reporting on maintaining, verifying and disposing off the fixed assets.	<ul style="list-style-type: none"> ▪ Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; ▪ Whether these fixed assets have been physically verified by the management at reasonable 	<ul style="list-style-type: none"> ▪ Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; ▪ Whether these fixed 	<p>Requirement to report disposing off of substantial part of fixed assets during the year, if any, has been done away with.</p>

	<p>intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account;</p> <ul style="list-style-type: none"> ▪ If a substantial part of fixed assets have been disposed off during the year, whether it has affected the going concern; 	<p>assets have been physically verified by the management at reasonable intervals;</p> <ul style="list-style-type: none"> ▪ Whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account; 	
<p>Physical Verification and maintenance of records of Inventories.</p>	<ul style="list-style-type: none"> ▪ Whether physical verification of inventory has been conducted at reasonable intervals by the management; ▪ Are the procedures of physical verification of inventory followed by the management reasonable and adequate in relation to the size of the company and the nature of its business. If not, the inadequacies in such procedures should be reported; ▪ Whether the company is maintaining proper records of inventory 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; 	<ul style="list-style-type: none"> ▪ Whether physical verification of inventory has been conducted at reasonable intervals by the management; ▪ Are the procedures of physical verification of inventory followed by the management reasonable and adequate in relation to the size of the company and the nature of its business. If not, the inadequacies in such procedures should be reported; ▪ Whether the company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification 	<p>Provision Retained</p>

		and if so, whether the same have been properly dealt with in the books of account;	
Internal control System	<p>Is there an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. Whether there is a continuing failure to correct major weaknesses in internal control;</p>	<p>Is there an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services .</p> <p>Whether there is a continuing failure to correct major weaknesses in internal control system.</p>	Reporting on adequate internal control procedure for sale of services also included under CARO, 2015.
Transactions entered by the company in which the director(s) is/are interested	<ul style="list-style-type: none"> ▪ Whether transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered; ▪ Whether each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time; (This information is required only in case of transactions exceeding the value of five lakh rupees in respect of any party and in any one financial year). 	No such provision	Reporting on whether transactions in which directors are interested and pricing of these transactions are not required. Act, 2013 mandates Audit Committee to review all related party transactions inter-alia determining whether the same has been conducted on arm's length basis or not. Merely charging at prevailing market price is no more the criteria. Entire transaction needs to be on arm's length basis.

<p>Maintenance of Cost Records</p>	<p>Where maintenance of cost records has been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 whether such accounts and records have been properly made and maintained.</p>	<p>Where maintenance of cost records has been specified by Central Government under sub-section (l) of section 148 of the Companies Act, 2013 whether such accounts and records have been made and maintained.</p>	<p>Provision Retained</p>
<p>Acceptance of deposits</p>	<p>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 58A and 58AA of the Act and the rules framed there under, where applicable, have been complied with. If not, the nature of contraventions should be stated; If an order has been passed by Company Law Board whether the same has been complied with or not.</p>	<p>In case the company has accepted deposits, 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 Companies Act and the rules framed there under, where applicable, have been complied with? If not, the nature of contraventions should be stated; If an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not.</p>	<p>Provision Retained</p>
	<ul style="list-style-type: none"> ▪ Has the company either granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. If so, 	<ul style="list-style-type: none"> ▪ Whether the company has granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of 	<p>Reporting of loans taken by the Company not included in CARO, 2015. · Reporting on rates charged not required under CARO,</p>

<p>Reporting on repayment of loans granted by the Company</p>	<p>give the number of parties and amount involved in the transactions.</p> <ul style="list-style-type: none"> ▪ Whether the rate of interest and other terms and conditions of loans given or taken by the company, secured or unsecured, are prima facie prejudicial to the interest of the company; ▪ Whether payment of the principal amount and interest are also regular; ▪ If overdue amount is more than one lakh, whether reasonable steps have been taken by the company for recovery/payment of the principal and interest; 	<p>the Companies Act. If so,</p> <ul style="list-style-type: none"> ▪ Whether receipt of the principal amount and interest are also regular; and ▪ If overdue amount is more than rupees one lakh, whether reasonable steps have been taken by the company for recovery of the principal and interest; 	<p>2015 as company will charge as per Section 186 (7).</p>
<p>Payment of applicable taxes</p>	<ul style="list-style-type: none"> ▪ Is the company regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees’ State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as at 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 by the auditor. ▪ In case dues of sales tax/income tax/custom tax/wealth tax/excise 	<ul style="list-style-type: none"> ▪ Is the company regular in depositing undisputed statutory dues including provident fund, employees’ state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax cess and any other statutory dues with the appropriate authorities and ▪ To the extent of the arrears of outstanding statutory dues as at the last day of the financial year concerned for a 	<p>CARO, 2015 mandates the reporting whether amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under has been transferred to such fund within time.</p>

	<p>duty/cess have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending may please be mentioned. (A mere representation to the Department shall not constitute the dispute).</p>	<p>period of more than six months from the date they became payable, shall be indicated by the auditor.</p> <ul style="list-style-type: none"> ▪ In case dues of income tax or sales tax or wealth tax or service tax or duty of customs or duty of excise or value added tax or cess 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 constitute a dispute). ▪ Whether the amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under has been transferred to such fund within time. 	
<p>Default in repayment of dues</p>	<p>Whether the company has defaulted in repayment of dues to a financial institution or bank or debenture holders? If yes, the</p>	<p>Whether the company has defaulted in repayment of dues to a financial institution or</p>	<p>Provision Retained</p>

	period and amount of default to be reported.	bank or debenture holders? If yes, the period and amount of default to be reported.	
Records Required To Be Maintained By The Company	Whether adequate documents and records are maintained in cases where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities; If not, the deficiencies to be pointed out.	No Such Provision	CARO, 2015 does not mandate reporting of the same as pledge of shares has been included in the definition of charge and the auditor can assess the same by viewing relevant forms for the same.
Compliance of special statute provisions	<ul style="list-style-type: none"> ▪ Whether the provisions of any special statute applicable to chit fund have been duly complied with? In respect of nidhi/ mutual benefit fund/societies; ▪ Whether the net-owned funds to deposit liability ratio is more than 1:20 as on the date of balance sheet; ▪ Whether the company has complied with the prudential norms on income recognition and provisioning against sub-standard/default/loss assets; ▪ Whether the company has adequate procedures for appraisal of credit proposals/requests, assessment of credit needs and repayment capacity of the borrowers; ▪ Whether the repayment schedule of various loans granted by the nidhi is based on the repayment capacity of the 	No such provision	Removed

	borrower and would be conducive to recovery of the loan amount;		
Records maintained by the company	If the company is dealing or trading in shares, securities, debentures and other investments, whether proper records have been maintained of the transactions and contracts and whether timely entries have been made therein; also whether the shares, securities, debentures and other securities have been held by the company, in its own name except to the extent of the exemption, if any, granted under section 49 of the Act;	No such provision	Removed
Extent of Accumulated losses	whether in case of a company which has been registered for a period not less than five years, its accumulated losses at the end of the financial year are not less than fifty per cent of its net worth and whether it has incurred cash losses in such financial year and in the financial year immediately preceding such financial year also;	Whether in case of a company which has been registered for a period not less than five years, its accumulated losses at the end of the financial year are not less than fifty per cent of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year;	Provision Retained
Guarantee for loan taken	Whether the company has given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.	Whether the company has given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.	Provision Retained

Applicability of term loan	Whether term loans were applied for the purpose for which the loans were obtained.	Whether term loans were applied for the purpose for which the loans were obtained.	Provision Retained
Details of funds raised	Whether the funds raised on short-term basis have been used for long term investment and vice versa; If yes, the nature and amount is to be indicated.	No such provision	Removed
Preferential Allotment and determination of arm's length price	Whether the company has made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act and if so whether the price at which shares have been issued is prejudicial to the interest of the company;	No such provision	Companies Act, 2013 mandates under Section 62 (1) (c) obtaining valuation report for preferential allotment made, which takes care of pricing issue. Thus, the same has not been included under CARO, 2015
Creation of security	Whether securities have been created in respect of debentures issued?	No such provision	Removed
End-use of money raised	Whether the management has disclosed on the end use of money raised by public issues and the same has been verified.	No such provision	Removed
Reporting of fraud	Whether any fraud on or by the company has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated.	Whether any fraud on or by the company has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated.	Provision Retained
Reasons to be stated for unfavorable or qualified answers	Where, in the auditor's report, the answer to any of the questions referred to in paragraph 4 is unfavorable or qualified, the auditor's report shall also state the reasons for such unfavorable	Where, in the auditor's report, the answer to any of the questions referred to in paragraph 3 is unfavorable or qualified, the auditor's report shall	Provision Retained

	<p>or qualified answer, as the case may be.</p> <p>Where the auditor is unable to express any opinion in answer to a particular question, his report shall indicate such fact together with the reasons why it is not possible for him to give an answer to such question.</p>	<p>also state the reasons for such unfavorable or qualified answer, as the case may be.</p> <p>Where the auditor is unable to express any opinion in answer to a particular question, his report shall indicate such fact together with the reasons why it is not possible for him to give an answer to such question.</p>	
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Thank you



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