



SUPPLEMENTARY_PAPER 10_FOR DECEMBER 2023 TERM OF EXAMINATION_SYLLABUS 2022

Corporate Accounting and Auditing

Module 1: Accounting for Shares and Debentures (Only the following part has been amended)

Prohibition on Issue of Shares at Discount [Section 53]

- a. Except as provided in section 54, a company shall not issue shares at a discount.
- b. Any share issued by a company at a discounted price shall be void. However, notwithstanding anything contained in sub-sections (1) and (2), a company may issue shares at a discount to its creditors when its debt is converted into shares in pursuance of any statutory resolution plan or debt restructuring scheme in accordance with any guidelines or directions or regulations specified by the Reserve Bank of India under the Reserve Bank of India Act, 1934 or the Banking (Regulation) Act, 1949].
- c. Where any company fails to comply with the provisions of this section, such company and every officer who is in default shall be liable to a penalty which may extend to an amount equal to the amount raised through the issue of shares at a discount or five lakh rupees, whichever is less, and the company shall also be liable to refund all monies received with interest at the rate of twelve per cent. per annum from the date of issue of such shares to the persons to whom such shares have been issued.

Module 7: Provision Relating to Audit under Companies Act, 2013

7.5.5 Contents of Audit Report (Only the following part has been amended)*

7.5.5.1 Requirements as per the Companies Act, 2013

The Companies Act, 2013 requires every limited company to get its accounts audited by a qualified auditor. The auditor critically appraises the books of accounts of the company and submit his report to the members of the company at the AGM. In this context, Section 143 and some other Sections of Companies Act, 2013 require the auditor to report on include the following in his audit report.

1. As per Section 143(2), the auditor, in his report, shall report whether to the best of his knowledge and information and as per his opinion, the accounts and the financial statements represent a true and fair view of the state of the company's affairs as at the end of its financial year and profit or loss and cash flow for the year.



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2. According to Section 143(3), the auditor's report shall also state -
 - (a) whether he has sought and obtained all the information and explanations from the management which to the best of his knowledge and belief were necessary for the purpose of his audit and if not, the details thereof and the effect of such information on the financial statements;
 - (b) whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books and proper returns adequate for the purposes of his audit have been received from branches not visited by him;
 - (c) whether the report on the accounts of any branch office of the company audited by a person other than the company's auditor has been sent to him under the proviso to that sub-section and the manner in which he has dealt with it in preparing his report;
 - (d) whether the company's balance sheet and profit and loss account dealt with in the report are in agreement with the books of account and returns;
 - (e) whether, in his opinion, the financial statements comply with the accounting standards;
 - (f) the observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the company;
 - (g) whether any director is disqualified from being appointed as a director under sub-section (2) of section 164;
 - (h) any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith;
 - (i) whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
3. Section 143(4) states that in case any of the matters required to be included in the audit report under this section is answered in the negative or with a qualification, the report shall state the reasons thereof.
4. As per Section 143(5), in case of a Govt. company, where the CAG has issued any direction to the auditor appointed by it, the auditor, among other things, shall include (a) the directions issued by the CAG (b) the action taken thereon and its impact on the accounts and financial statement of the company.
5. According to Section 143(12), if the auditor of a company, in the course of his audit work, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government.



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6. The auditor's report shall also include a statement on the matters prescribed by Companies (Auditor's Report) Order.
- *7. As per Rule 11 of Companies (Audit and Auditors) Rules 2014, the auditor's report shall also include his views and comments on the following matters:
- (a) whether the company has disclosed the impact, if any, of pending litigations on its financial position in its financial statement;
 - (b) whether the company has made provision, as required under any law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;
 - (c) whether there has been any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the company.
 - (d) [omitted by subsequent amendment]
 - (e)
 - (i) Whether the management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - (ii) Whether the management has represented, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
 - (iii) Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii) contain any material mis-statement.



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- (f) Whether the dividend declared or paid during the year by the company is in compliance with section 123 of the Companies Act, 2013.
- (g) Whether the company, in respect of financial years commencing on or after the 1st April, 2022, has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.