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Article on:

- CARO, 2020



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“It’s better to light one candle than to curse darkness”



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From the Desk of the Chairman



CA Hardik Vyas,
Chairman,
Rajkot Branch of
WICASA

Dear student friends,

Greetings from the Rajkot branch of WICASA.

This newsletter contains an article on CARO, 2020, which has been introduced by the govt and is applicable from April, 2021. I am sure, this article will help you develop a basic understanding of provisions thereof.

Every article in each of our newsletter is one of kind and we try to include articles over various topics relating to the curriculum. It is always a difficult to choose and select articles from among multiple articles received by us. I am happy to see many students taking efforts in writing articles. Inculcating the habit of writing these articles definitely improves the writing skills of a student.

We are planning to come up with a training series in the month of December to prepare students for corporate job interviews and career selection. We shall make announcements thereof in due course.

We celebrate the festival of Christmas in the month of December, 2020. I wish Merry Christmas to all the students.

The Rajkot Branch of WICASA has been continuously working to come up with new avenues and events for the benefit of the student fraternity. This newsletter is an effective medium for the students to showcase their literary and artistic skills by contribution in form of articles and other content. We request you all to continue sharing these on wicasanewsletter@gmail.com and take benefit of the same.

I wish you all a healthy and happy month ahead. Stay Safe !





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CARO, 2020

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Companies (Auditor's Report) Order, 2020 (CARO 2020)

Introduction to CARO 2020

CARO 2020 is a new format for issue of audit reports in case of statutory audits of companies under Companies Act, 2013. CARO 2020 has included additional reporting requirements after consultations with the National Financial Reporting Authority (NFRA). NFRA is an independent regulatory body for regulating the audit and accounting profession in India. The aim of CARO 2020 is to enhance the overall quality of reporting by the company auditors.

Applicability of CARO 2020

CARO 2020 is applicable for all statutory audits commencing on or after 1 April 2020 corresponding to the financial year 2019-20. The effective date of this order is 01-04-2019. But due to Corona impact this order will be applicable for the financial year 2020-21 and not for 2019-20. The order is applicable to all companies which were covered by CARO 2016.

Accordingly, the order applies to all the companies except the following companies specifically excluded from its purview:

- One-person company
- Small companies (Companies with paid up capital less than/equal to Rs 50 lakh and with a last reported turnover which is less than/equal to Rs 2 crore)
- Banking companies
- Companies registered for charitable purposes
- Insurance companies





CARO, 2020

- The following private companies are also exempt from the requirements of CARO,2020:
 - (i) Whose gross receipts or revenue (including revenue from discontinuing operations) is less than or equal to Rs 10 crore in the financial year
 - (ii) Whose paid up share capital plus reserves is less than or equal to Rs 1 crore as on the balance sheet date (i.e. usually at the end of the financial year)
 - (iii) Not a holding or subsidiary of a Public company
 - (iv) Whose borrowings is less than or equal to Rs 1 crore at any time during the financial year.

The new CARO contains total 21 clauses whereas CARO, 2016 was having only 16 clauses. 7 new clauses have been inserted in new CARO, 2020 as compared to CARO, 2016, and the existing clauses of CARO, 2016 have been re-drafted to elicit detailed comments from the auditors. These newly inserted clauses are Clause 8, 14, 17, 18, 19, 20 and 21.

Salient features of CARO, 2020

- A specific format has been provided for reporting the details of such immovable properties whose title deeds are not held in the name of the company but are disclosed in the financial statements.
- Disclosure of details of proceedings against the company for holding Benami Property and whether the company has disclosed the details in its financial statements.





CARO, 2020

- Discrepancies of 10% or more in the aggregate of each class of inventory noticed during physical verification of inventory would have to be reported.
- The auditor is to provide specific details as to whether during any point of time of the year, the Company has been sanctioned working capital limits in excess of Rs. 5 crores, in aggregate, from banks or financial institutions on the basis of security of current assets and whether the quarterly returns/statements filed by the Company with such banks or financial institutions are in agreement with the books of account of the Company.
- In clause 3(iii) of CARO, 2020, the auditor is to report in detail on the investments made by the company in, any guarantee or security provided or any loans or advances in the nature of loans granted, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties during the year, that they are not prejudicial to the interests of the company.
- A specific format has been prescribed to report the period and the amount of default by the company in repayment of loans or other borrowings or in the payment of interest thereon to any lender.
- The auditor is required to render his opinion on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, that no material uncertainty exists as on the date of the Audit Report that company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date.





CARO, 2020

- The number of cash losses incurred in the financial year and in the immediately preceding financial year has to be reported.
- The auditor has to take into consideration the issues, objections or concerns raised by the outgoing auditors before forming his opinion.
- The auditor is required to report about the company if it is a declared wilful defaulter by any bank/ financial institution/other lenders.
- The auditor would have to report as to whether term loans were applied for the purpose for which the loans were obtained; if not, the amount of loan so diverted and the purpose for which it is used would have to be reported.
- The auditor is required to report as to whether any fraud by the company or any fraud on the Company has been noticed or reported during the year; if yes, nature and the amount involved is to be indicated.
- The auditor is to consider whistle-blower complaints received during the year by the Company in his audit.
- The auditor is to consider compliance of CSR, if there is any amount left unspent, whether the company has transferred this unspent amount in respect of other than ongoing projects and ongoing projects to specified funds/accounts as per sec 135(5) and (6) respectively.
- The auditor is to report if the company has conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the RBI Act.





CARO, 2020

- The auditor is now required to indicate the details of the subsidiary companies and the sub-clauses' number containing qualifications/ adverse remarks by the respective auditors in the CARO reports of the companies included in the consolidated financial statements.

Reporting Requirements under CARO, 2020

The Companies Auditor's Report Order, 2020 (CARO 2020) shall include a statement on the following matters, namely:

- 1) Details of tangible and intangible assets
- 2) Details of inventory and working capital
- 3) Details of investments, any guarantee or security or advances or loans given
- 4) Compliance in respect of a loan to directors
- 5) Compliance in respect of deposits accepted
- 6) Maintenance of costing records
- 7) Deposit of statutory liabilities
- 8) Unrecorded income
- 9) Default in repayment of borrowings
- 10) Funds raised and utilisation
- 11) Fraud and whistle-blower complaints
- 12) Compliance by a Nidhi
- 13) Compliance on transactions with related parties
- 14) Internal audit system
- 15) Non-cash dealings with directors
- 16) Registration under section 45-IA of RBI Act, 1934
- 17) Cash losses
- 18) Resignation of statutory auditors
- 19) Material uncertainty on meeting liabilities
- 20) Transfer to fund specified under Schedule VII of Companies Act, 2013
- 21) Qualifications or adverse auditor remarks in other group companies





CARO, 2020

- In a case where the auditor's answer to any of the requirements mentioned above is unfavourable or negative, then the auditor's report shall also state the basis for such unfavourable or qualified answer.
- Also, in a case where the auditor is unable to express any opinion on any specified matter, the report shall indicate such fact along with the reasons as to why it is not possible for the auditor to give an opinion on the same.

Conclusion

The CARO 2020 is expected to significantly improve the overall quality of reporting by the Auditors on the financial statements of the Companies and thereby lead to greater transparency and faith in the financial affairs of the companies. This is automatically expected to greater inflow of investment by and in Indian Companies.





मेघधनुष के रंग

ख़्वाब के परिंदे को देंगे पंख,
तभी तो मिलेंगे मेघधनुष के रंग।

तू दोड़ता जा रहा है अभी कहीं?
यही तो है बुलंद हौसले की घडी।
पत्थर भी पड़े होंगे, घाव भी मिले होंगे।
पर मिलेगा उसी राह पर, उसका मल्हम भी।

ख़्वाब के परिंदे को देंगे पंख,
तभी तो मिलेंगे मेघधनुष के रंग।

हौसले की सीढ़ी ख़तम हो गई, तो क्या??
उम्मीद का दिया, अभी बुजा तो नहीं?
देख तो सही रास्ता, बाकी सफर का,
तेरी मंज़िल तक पोहचने के लिए,
शायद नन्ही सी नाव भी होंगी कहीं।

ख़्वाब के परिंदे को देंगे पंख,
तभी तो मिलेंगे मेघधनुष के रंग।

हार ना मानी होगी तुमने कभी,
तभी तो मिली होगी इतनी जमीन।
जिस पर दौड़ना होगा, अकेले ही सही।
बेशक राह लंबी होगी मंज़िल की, पर
तेरी जीत की ज़िद के आगे कुछ भी नहीं।

ख़्वाब के परिंदे को देंगे पंख,
तभी तो मिलेंगे मेघधनुष के रंग।

पंख भी लगाए, सप्तरंग भी देखे।
बारिश भी गिरा दी, और धूप भी फेला दी।
अब करले थोड़ा आराम, निकलेंगे फिर सभी।

Submitted by: Viralee Keraliya
Regn No. WRO 0537531



STUDENTS JOURNAL

RAJKOT BRANCH OF WICASA



December 2020



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WHEN YOU CLEAR CA FINAL



Pandit ko bula le. Main shaadi karega.



STUDENTS JOURNAL

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December 2020

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