8 Following amounts shall be allowed as a deduction only on actual payment basis:
(i) Any tax, duty or cess payable
(ii) Employer's contribution to any PF or superannuation fund or gratuity fund or any other fund for the welfare of employees
(iii) Any bonus or commission payable by the assessee to its employees
(iv) Interest on any loan from any public financial institution or a state financial corporation
(v) Any sum payable by the assessee as interest on any term loan from a scheduled bank

9. Particulars of loan or deposit in excess of Rs.20,000/-(limit specified in section 269SS/269T) accepted/repaid otherwise than by an account payee cheque or bank draft, amount of loan accepted/repaid, maximum amount outstanding, loan squared up during the year, name of the lender/payee

10. Following amounts shall be allowed as a deduction only on actual payment basis:
(i) Any tax, duty or cess payable
(ii) Employer's contribution to any PF or superannuation fund or gratuity fund or any other fund for the welfare of employees
(iii) Any bonus or commission payable by the assessee to its employees
(iv) Interest on any loan from any public financial institution or a state financial corporation
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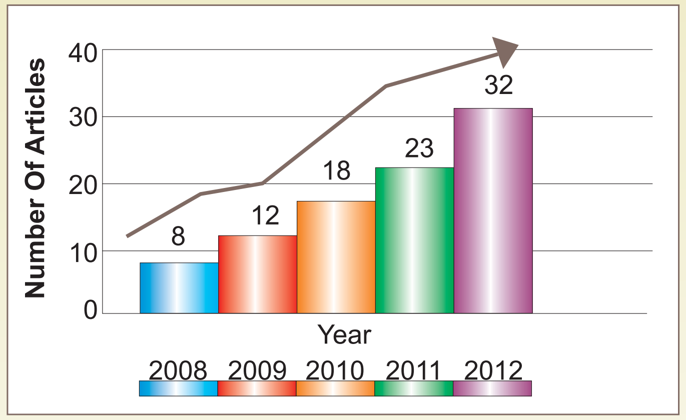
11. Particulars of loan or deposit in excess of Rs.20,000/-(limit specified in section 269SS/269T) accepted/repaid otherwise than by an account payee cheque or bank draft, amount of loan accepted/repaid, maximum amount outstanding, loan squared up during the year, name of the lender/payee

12. Tax Deducted at source
(i) Whether tax has been deducted at proper rates.
(ii) Tax deductible and not deducted at all
(iii) Short fall on account of lesser deduction
(iv) Tax deducted late
(v) Tax deducted but not paid

13. Quantitative details of the principal items of goods traded including details of opening stock, purchases, sales and closing stock. In respect of manufacturing concern, quantitative details of raw materials and finished goods including additional details like consumption of raw materials and finished goods manufactured during the year

Deepak D

JVR... Article Growth



Ha...Ha...

*Why do accountants make good lovers? They're great with figures.
*A patient was at her doctor's office after undergoing a complete physical exam. The doctor said, "I have some very grave news for you. You only have six months to live." The patient asked, "Oh doctor, what should I do?" The doctor replied, "Marry an accountant."
"Will that make me live longer?" asked the patient.
"No," said the doctor, "but it will SEEM longer."

*Budget: An orderly system for living beyond your means.

Contributed by Ashwin Nath

JVR ASSOCIATES
Chartered Accountants

Echo

Quarterly Newsletter - 4

June 2012

Dear friends,

It is with great pleasure that we bring out the fourth edition of our quarterly newsletter 'Echo'.

At this point, on behalf of 'Team JVR', I would like to congratulate with a well-deserved pat on the back, to all the prize winners of 'Encore 2012', the students' annual cultural fest!!

During the last quarter, we completed major audits in Revised Schedule VI format, much ahead of our contemporaries.

We have put in processes to ensure total compliance with Standards on Auditing and also to confirm Accounting Standards compliance by our clients.

Now it's the right time for us to gear up for the ongoing audit season. I would urge you to pay particular attention to the documentation of audit process, issues examined, significant observations made and how they are resolved to ensure that audit is done effectively and efficiently.

On behalf of editorial team, I appreciate the contribution of paper writers.

Augustine Jose ACA
Partner

CA

Congrats! **Vidya Mohan & Eliza Mary Pious** for passing CA Final May 2012

Propriety elements in CARO 2003

The propriety concept has made greater inroads in the reporting order. Propriety aspect emphasises more on the substance of transactions and looks into its appropriateness on a consideration of financial prudence, public interest and prevention of wasteful expenditure. It reduces the emphasis on documents, vouchers and evidence.

The following are the main Propriety elements covered in the CARO 2003.

Loans

1. If the Company has given or taken loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act 1956, whether the rate of interest and other terms and conditions of such loans are prima- facie prejudicial to the interest of the Company.

   In this case, the Auditor will have to look into the reasonableness of the rate of interest and the terms and conditions of such loans, having regard to the circumstances of the Company at the time of taking the loans and the terms normally available.

   He also has to exercise his judgement based on commercial considerations like urgency, security offered etc.

   In the above case, If the overdue amount of the loan is more than rupees one Lakh, The Auditor has to check what reasonable steps have been taken by the Company for recovery/payment of the principal and interest.

   The Auditor should arrive at his opinion only after consideration of the management's representations.

Internal Controls

1. Internal Control: Auditor has to check 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 its goods and services.

Register u/s 301

1. Whether the transactions needed to be entered in the register in pursuance of section 301 of the Companies Act 1956, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant times.

   As regards the reasonability of prices, the Auditor is not expected to make a roving market inquiry but to examine price lists, quotations, prices of other parties etc. He

Statutory Dues

1. Is the Company regular in depositing undisputed statutory dues including Provident fund, Investor education and protection fund, Employee State Insurance, Income Tax , Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.
2. If not the extent of the arrears of outstanding statutory dues as the last day of the financial year concerned for a period of more than six months from the day they became payable, shall be indicated by the Auditor.

Repayment of Dues

1. The Auditor has to check has the Company paid the principal and interest dues to financial institutions, banks or debenture holders without default.

   In case of default, the period and amount of default shall be reported.

Loans against Securities

1. If the Company has advanced or granted loans/advances against security by way of pledge of shares, debentures and other securities, proper and adequate documents and records are to be maintained. Where there are deficiencies in the maintenance of records, the same should be reported by the Auditor.

Guarantees Given

1. Where the Company has given any guarantee for loans taken by others from bank or financial institutions, whether or not the terms and conditions thereof are prejudicial to the interest of the Company.

End use of Borrowings

1. The Auditor has to report "Whether or not the Term Loans are applied for the purpose for which such loans were obtained".

Application of Funds

1. Whether the short term funds have been applied for long term investments. If such application is made, the nature and the amount involved should be indicated in the Audit Report.

Preferential Allotment

1. Whether the Company has made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 and if so whether the price at which shares have been issued is prejudicial to the interest of the Company.

Fraud

1. Whether any fraud on or by the Company has been noticed or reported during the year.
2. Where any fraud is noticed and reported, the nature and the amount involved should be indicated in the Audit Report.

Mathews Mathew ACA, Audit Manager

Tax audit – section 44 AB of the income tax act, 1961

Introduction

Tax audit was introduced by section 11 of the Finance Act, 1984, which inserted a new section 44 AB in the Income Tax Act, 1961 with effect from 1st April, 1985. This section makes it obligatory for certain persons carrying on business/profession to get his accounts audited by a chartered accountant, and to furnish by the 'specified date', the report in the prescribed form of such audit.

Provisions of section 44AB

Section 44AB reads as under:

Every person:

(a) carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or exceeds sixty lakh rupees in any previous year; or

(b) carrying on profession shall, if his gross receipts in profession exceed fifteen lakh rupees in any previous year; or

(c) carrying on the business shall, if the profits and gains from the business are deemed to be the profits and gains of such person under section 44AD or section 44AE or section 44AF, as the case may be, and he has claimed his income to be lower than the profits or gains so deemed to be the profits and gains of his business, as the case may be, in any previous year,

get his accounts of such previous year audited by an accountant before the specified date and furnish by that date the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed:

Penalty for failure to get accounts audited - section 271 b

If any person fails to get his accounts audited in respect of any previous year u/s 44AB, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum equal to one-half per cent of the total sales, turnover or gross receipts, as the case may be, in business, or of the gross receipts in profession, in such previous year or years or a sum of one hundred thousand rupees, whichever is less.

Major aspects to be covered

1. Method of accounting employed - The Companies Act 1956 requires every company to keep its books of accounts on accrual basis. Entities other than companies can follow either cash or accrual system of accounting.

2. Method of valuation of closing stock - The tax auditor should study the procedure followed by the assessee in taking the inventory of closing stock and the basis of valuation thereof. For instance:
   (i) Raw material are valued at cost on FIFO basis,
   (ii) Work in Progress is valued at cost
   (iii) Finished goods are valued at cost or net realisable value whichever is lower.

3. Depreciation – Particulars of depreciation with details such as description of assets/block of assets, rate of depreciation, additions/deductions during the year with dates, written down value at the beginning and at the end of the year

4. Section 35D – Preliminary expenses shall be allowed as a deduction for 5 consecutive assessment years beginning with the year in which the business commences and the aggregate amount of the expenditure allowable is 5% of cost of the project/capital employed

5. Bonus/Commission paid to employees - If bonus or commission is in the nature of profit or dividend, it may not be normally allowable as a deduction. The tax auditor should verify the contract with the employees so as to ascertain the nature of payments.

6. Details of amounts debited to the profit and loss account being expenditure of capital nature, personal nature, amounts inadmissible under section 40(a), amount inadmissible under section 40A(3) read with rule 6DD, provision for gratuity not allowable u/s 40A(7)

7. Particulars of payments made to specified persons listed in section 40(A)(2) i.e. related parties