

ANALYSIS OF TAX AUDIT REPORT CLAUSES

Form 3CA and Qualifications:

SN	Observations / Qualification Type	Observations / Qualifications regarding Form 3CD clauses
1	Others	The scope of the audit report furnished u/s 44AB of the Act in form 3CA and the particulars given in form 3CD has been limited to transactions of the assessee chargeable to tax under the head Profits and gains from Business and Profession and recorded in books of accounts furnished to us by the assessee, and not to any other matters.
2	Others	<p>The assessee is responsible for the preparation of the statement of particulars required to be furnished under section 44AB of the Income Tax Act, 1961 annexed herewith in Form No. 3CD read with Rule 6G (1) (a) of Income Tax Rules, 1962 so as to give true and correct particulars therein. We have conducted our verification of the particulars furnished by the assessee in Form No. 3CD in accordance with Guidance Note(s) on Tax Audit under section 44AB as also the Implementation Guide issued by the Institute of Chartered Accountants of India dated 30-07-2025 and also based on the extent of checks considered appropriate in the light of volume and nature of transactions and the data furnished to us.</p> <p>Remark – Rule 6G(1)(a) for 3CA and 6G(1)(b) for 3CB</p>
3	Others	The particulars given in Form 3CD and verified by us are based on the entries made in the books of accounts and records made available to us and the information and explanations given and the representations made by the assessee to us for the purpose of tax audit under section 44AB and in accordance with the generally accepted accounting principles and practices and accounting policies regularly followed by the assessee and not otherwise.
4	Others	Where necessary, figures and classifications are regrouped or reclassified, with corresponding changes also made to figures of preceding year for sake of comparison.
5	Others	Clause 11 - The assessee has certified that the books of accounts listed in the said clause are generated and maintained in computer system by the assessee.
6	Others	Clause 13 - The disclosures of accounting policies as per ICDS under clause 13(f) have been done by the assessee as per the notes to the audited financial statements of the assessee and have been accepted by us as such. The assessee has certified that there is

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		no change in the method of accounting for the preparation of final accounts for the Previous Year, as compared to method of accounting employed in the immediately preceding Previous Year, other than those specified in the Notes to the financial statements.
7	Others	Clause 14(b) - ICDS-II prescribes valuation of purchase/sales/stock inclusive of GST. But in books, the assessee records this net of GST under exclusive method as per standards under the Companies Act, 2013; hence as the net effect on profit/loss is Rs. NIL and the figures relevant thereto have nullifying effect, the Nil disclosure of the same under Sr. No. 14(b) of Form 3CD by the assessee is accepted.
		Clause 16 - The assessee has certified that there were no items falling under the scope of this clause and not credited to the profit and loss account. It has been represented by the assessee that as it records purchase/sales/stock exclusive of GST as per the accounting standards under the Companies Act, 2013, the assessee has not considered refunds under the GST law for disclosure in the said clause, which is accepted as such.
8	Others	Clause 18 - The date of put-to-use of assets in Clause 18 has been taken and accepted as certified by the assessee, as it did not admit of independent verification, except if and to the extent stated in records produced.
9	Others	Clause 19 - Claim u/s. 35DD under Clause 19 is in respect of merger expenses incurred during the preceding year consequent upon order of merger passed by NCLT on __.
10	Others	Clause 20(a) - The assessee has certified that there is no sum paid to an employee as bonus or commission for service rendered, where such sum was otherwise payable to him as profit or dividend.
11	Others	Clause 21 - With regard to Clause 21, we have relied upon the information and explanation furnished by the assessee, in absence of any segregated records maintained and produced before us showing as to whether expenses were personal/capital in nature or not. Further, the assessee has certified that no liability of contingent nature has been debited to Profit & Loss account. Contingent Liabilities at the year-end have been disclosed in the financial statements.
12	Others	Clause 21(d)(B) - The assessee has certified those payments in excess of Rs. 10,000/- have been made by account payee cheque/account payee bank draft/electronic

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		transfer only. It has not been possible for us to verify whether payments in excess of Rs. 10,000/- have been made otherwise than as stated above as the necessary documentary evidence is not in the possession of the assessee. Also, appropriate test checks were applied.
13	Others	Clause 21(d)(A) - The assessee has certified those payments in excess of Rs. 10,000/- and Rs 35,000/- (In case of the payment made for playing, hiring or leasing goods carriages) have been made by crossed account payee cheque, crossed account payees bank draft or through ECS only.
14	Others	Clause 22 - In the course of our audit, for the purpose of verifying disallowances under section 43B(h) of the Income-tax Act, 1961 as per clause 22, we have conducted verification on a test check basis. We have relied on the MSME classification provided and representations made by the auditee. Consequently, our verification of the compliance with section 43B(h) is based on the information and representations provided by the auditee, and our opinion is formed based on the selected samples reviewed. Our opinion is thus dependent on the correctness of these classifications and representations.
15	Others	Clause 27(a) - As the assessee follows the exclusive method for accounting of taxes and hence its effect in Profit & Loss A/c at Rs. Nil under Clause 27(a) is accepted.
16	Others	Clause 31 - The assessee has certified that receipts/repayments of loans/deposits/advances in excess of provisions of s. 269SS, 269T and 269ST have been made by account payee cheque/account payee bank draft/electronic transfer only. It has not been possible for us to verify whether they were received/made as stated above as the necessary documentary evidence is not in the possession of the assessee. Also, appropriate test checks were applied.
17	Others	Clause 34 - Reporting of clause 34 is verified by applying test checks considering the volume and nature of total transactions of receipts and payments during the year, as may be applicable.
18	Others	Clause 35 - Inventory and its classification are shown and taken as furnished by assessee. Assessee has represented to us that: (i) any shortage/excess in any of the stocks has been reported in this clause (ii) consumption of materials used to produce finished product yielded ____%. (iii) the figure of purchase of raw materials includes remelted items.

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		In absence of any specific noting in inventory records / any contrary information on record (as applicable), the figures of yield presented by the assessee are accepted as such.
19	Others	Clause 36A(a) - We are informed that the assessee has not received any amount in the nature of dividend as referred to in sub-clause (e) of clause (22) of section 2 of Income Tax Act, 1961.
20	Others	Clause 41 - The assessee has certified that 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 have been disclosed under Clause 41.
21	Others	<p>Clause 44 –</p> <p><u>If classification is not maintained:</u></p> <p>It is explained to us by the assessee that there is no specific disclosure and/or filing requirement under Goods and Service tax statute with regard to the registration status of the suppliers of goods and services or to maintain such classification as required in clause 44; hence the reporting of figures under this clause is accepted as shown by assessee.</p> <p><u>If classification is maintained:</u></p> <p>The information under this Clause has been verified by us by applying such test checks as considered appropriate in the facts and circumstances, having regard to volume and nature of transactions and materiality thereof. We are informed by assessee that if the registration status of suppliers is not available to it at all, the same are considered as registered suppliers. Further, considering the guidance note issued by The Institute of Chartered Accountants of India, expenses in the nature of employees, interest, depreciation and certain other expenses/write-offs/capital expenditures, etc are not to be considered in reporting of the figure of total amount of expenditure in clause 44 of Form 3CD. Therefore, information in the said clause is examined in the light of above.</p>

Form No 3CB

[See rule 6G(1)(b)]

Audit report under section 44AB of the Income-Tax Act, 1961 in the case of a person referred to in clause (b) of sub-rule (1) of rule 6G

We have examined the Balance Sheet as on -----, and the Statement of Profit and Loss account for the period

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beginning from ----- to ending on ----, attached herewith of -----

We certify that the Balance Sheet and the Statement of Profit and loss account are in agreement with the books of account maintained at the head office at ----- and ---- branches.

(a) We report the following observations/ comments:

(A) The Assessee is responsible for the preparation of the aforesaid financial statements that give a true and fair view of the financial position and financial performance in accordance with the Accounting Standards and accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give true and fair view and are free from material misstatement, whether due to fraud or error.

(B) Our responsibility is to express an opinion on the aforesaid financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures, on a test basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the assessee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the assessee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by assessee, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(b) Subject to above -

(A) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

(B) In our opinion, proper books of account have been kept by the head office and branches of the assessee so far as appears from our examination of the books.

(C) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with notes thereon, if any give a true and fair view : -

(i) in the case of the Balance Sheet, of the state of the affairs of the assessee as at ----- and

(ii) in the case of the Statement of Profit and loss account of the Profit of the assessee for the year ended on that date.

The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No. 3CD.

In our opinion and to the best of our information and according to explanations given to us, the particulars given in the said Form No. 3CD are true and correct subject to following observations/qualifications, if any

SN	Qualification Type	Observations /Qualifications regarding form 3CD Clauses
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(As covered above)