



**POWER OF SIMPLICITY**

**Tally.ERP 9 Auditors' Edition**  
**Tax Audit Reference Book**

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POWER OF SIMPLICITY

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# Tax Audit

## Introduction

Tax Audit refers to the audit of certain persons under Sec 44AB of the Income Tax Act, whose profits and gains are above Rs.40 lakhs per annum (the exemption has been increased to Rs.60 lakhs with effect from the FY 2011-12). It also applies to persons/professionals whose earnings are above Rs.10 lakhs per annum (the exemption has been increased to Rs. 15 lakhs with effect from the FY 2011-12). Such persons are required to get their accounts audited by a Chartered Accountant and furnish an audit report in the prescribed format.

The tax audit process helps the Tax Auditor to verify and ensure that the books of accounts and other records are properly maintained, and reflect the true income of the assessee.

## Features of Tally.ERP 9 Auditors' Edition

The Tally.ERP 9 Auditors' Edition comes with features to equip the Chartered Accountant to audit the accounts of an assessee efficiently and efficiently:

- ❑ IT Assisted Audit services
- ❑ Remote Access clients' data/reports using Tally.ERP 9 Auditors' Edition
- ❑ Post corrections and clarifications remotely
- ❑ Classification of records based on relevant clause
- ❑ Facility to record & store Audit Note/Remark for every voucher
- ❑ Track alterations/modifications to vouchers post audit
- ❑ Facility to configure blocking of back dated entries
- ❑ Allow column sorting and multi-selection of vouchers during Audit
- ❑ Dashboard showing the statistics of Sampled, Audited, Clarifications sought, received and Unaudited vouchers/records
- ❑ Generate related reports & annexure

## Benefits of Tally.ERP 9 Auditors' Edition

The benefits an Auditor get using the Tally. ERP 9 Auditors' Edition is:

- ❑ savings in audit time resulting in increased audit productivity and efficiency
- ❑ ability to audit transactions online
- ❑ availability of information to prepare audit working papers
- ❑ extract financial information required for Tax Audit (under Section 44AB)
- ❑ increase in additional avenues of billable services

## Tax Audit in Tally.ERP 9 Auditors' Edition

To reach the menu, you have to execute the following steps:

1. **Gateway of Tally > Audit & Compliance > Tax Audit**

The two menus available under Tax Audit:

- 44AB Audit
- Form 3CD
- Form 3CA
- Form 3CB

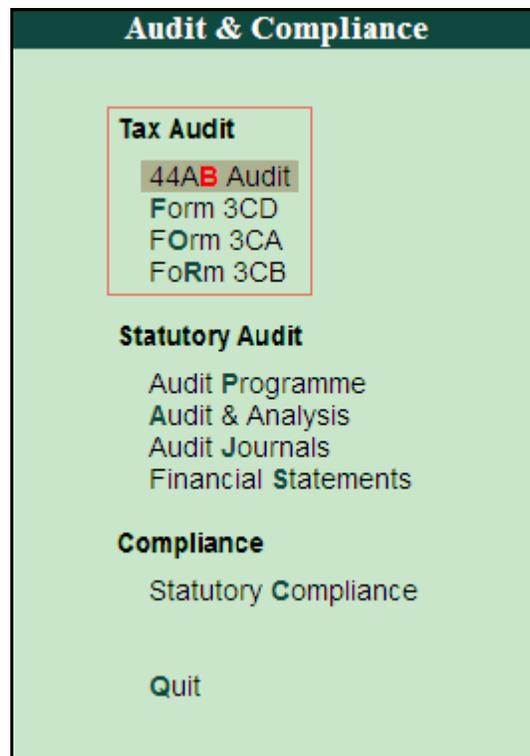


Figure 1. Gateway of Tally - Tax Audit



*The **Audit & Compliance** menu is active when the auditor logs into the Auditors' Edition. To conduct the tax audit, the auditor has to log in with a userid and password to access the features. The access details of userid and password have to be shared with the Client to open the Company data.*

2. Select **44AB** to display the **Tax Audit** Dashboard

The dashboard displays eight audit types/clauses that form a part of the 3CD report for the purpose of conducting the tax audit but we discuss seven of them which are clause 16, 17(h), 18, 21, 24(a), 24(b) and 27.

Tax Audit									1-Apr-2009 to 31-Mar-2010	
Clause No.	Audit Type	Unaudited	Audited	Under Observation	Need Clarification	Clarified (To be re-audited)	Altered (To be re-audited)	Audit Complete ?		
16	Bonus, PF, ESI Recoveries	108	1				1			
17(h)	Amounts inadmissible u/s 40A(3)	13	2							
18	Payments to Specified Persons	26	2							
21	Payments Under Section 43B									
	Employer's Contribution	72	1				1			
	Tax Collected at Source	42	2							
	Service Tax	111								
	Value Added Tax	155	1							
24(a)	Loans / Deposits Accepted	63	1							
24(b)	Loans / Deposits Repaid	80	3							
27	Tax Deducted at Source	21	2							

Figure 2. Tax Audit- Annexure to Form 3CD

We discuss some of the clauses mentioned in the dashboard.

### Clause 17(h) - Amounts inadmissible under Sec40 (A) 3 of the Income Tax Act

Under this clause of the Sec 40A, any payments aggregating to and exceeding an amount of twenty thousand rupees shall be made through an account payee cheque or an account payee demand draft on any day. Any liability of a previous year if discharged during the current year by cash is deemed to be profits and gains of the current year and will be disallowed as a deduction.

**Audit scope:** We will be finding those payments made by cash in a day which aggregate and exceed rupees twenty thousand.

1. Select **Amounts inadmissible under Sec40 (A) 3** in **Tax Audit** dashboard screen to display the **Cash Payments** screen

If you want to exclude any payment from the purview of this clause as per the Rule 6DD, you can configure the exclusion by these steps:

2. Click **Ctrl+F9** or press **Ctrl** and **F9** in the **Cash Payments** screen to display the **List of Ledgers** screen
3. Select any Ledger to display the **Ledger Alteration** screen for excluding it under Rule 6 DD
4. Select **Amount inadmissible under 40 A (3) [clause 17h]** from **List of Reports**
5. Enter the dates under **Applicable From** and **Applicable To** respectively
6. Accept and save the entry

The **Ledger Alteration** screen is displayed with requisite details.

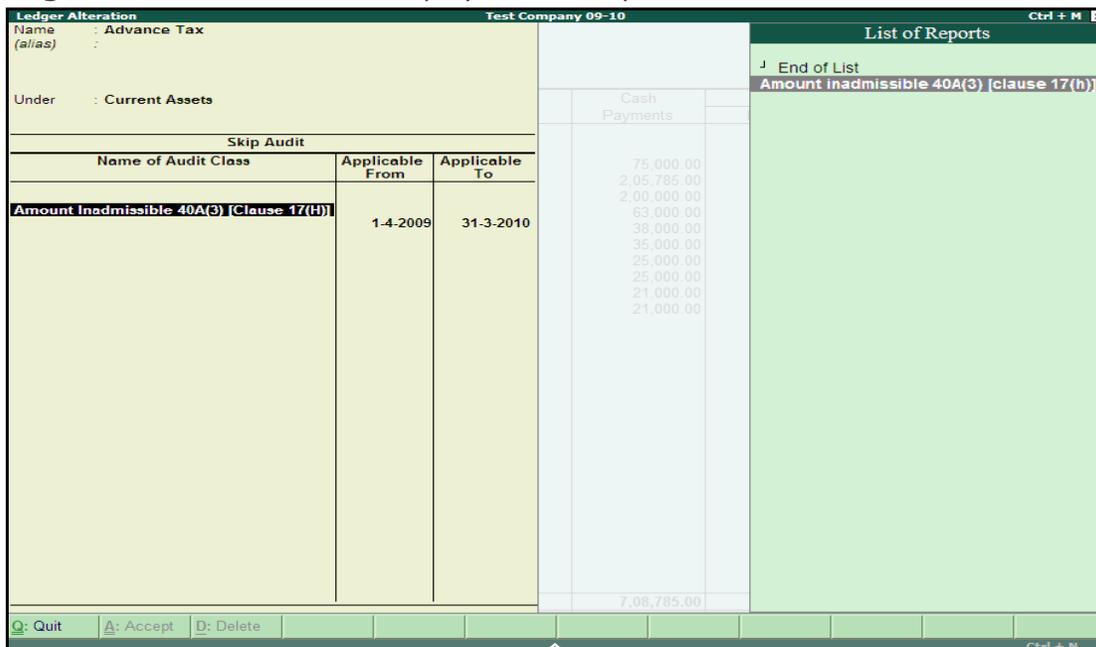


Figure 3. Ledger Alteration Screen to exclude a ledger from Clause 17h audit

7. Press **Ctrl+Q** or **Esc** to return to the **Cash Payments** screen

A list of cash payments is displayed in the **Cash Payments** screen. The details displayed in this screen are:

- Particulars (Ledger Account )
- Cash Payments (Total amount of cash expenses incurred)
- Voucher Value- Lowest & Highest (the range of low and high values accounted)
- Unaudited Vouchers (vouchers yet to be audited)

The **Cash Payments** screen is displayed.

Particulars	Cash Payments	Voucher Value		Unaudited Vouchers
		Lowest	Highest	
Business Promotion Expenses	75,000.00	75,000.00	75,000.00	1
Vinayaka Trading Corporation	2,05,785.00	2,05,785.00	2,05,785.00	1
Staff Welfare Expenses	2,00,000.00	2,00,000.00	2,00,000.00	1
Shankar	63,000.00	21,000.00	21,000.00	3
NextGen Systems	38,000.00	38,000.00	38,000.00	1
Travelling & Conveyance	35,000.00	35,000.00	35,000.00	1
Synchronized Solutions	25,000.00	25,000.00	25,000.00	1
The League Club	25,000.00	25,000.00	25,000.00	1
DEF Ltd	21,000.00	21,000.00	21,000.00	1
Simco Machinery Co.,	21,000.00	21,000.00	21,000.00	1
<b>Grand Total</b>	<b>7,08,785.00</b>			<b>12</b>

Figure 4. Cash Payments – Sec 40A (3)

8. Click **F9:Show Skipped** to display the details of skipped ledgers.

The **Cash Payments** screen with details of skipped ledgers is displayed.

Cash Payments				
Test Company 09-10				
Group	Primary			1-Apr-2009 to 31-Mar-2010
Aggregate Cash Payments exceeding	20,000.00 For a Day			
Minimum Voucher Amount	20,000.00			
Particulars	Cash Payments	Voucher Value		Unaudited Vouchers
		Lowest	Highest	
Business Promotion Expenses	75,000.00	75,000.00	75,000.00	1
Vinayaka Trading Corporation	2,05,785.00	2,05,785.00	2,05,785.00	1
Staff Welfare Expenses	2,00,000.00	2,00,000.00	2,00,000.00	1
Shankar	63,000.00	21,000.00	21,000.00	3
NextGen Systems	38,000.00	38,000.00	38,000.00	1
Travelling & Conveyance	35,000.00	35,000.00	35,000.00	1
B Ramesh - Loan	25,000.00	25,000.00	25,000.00	1
Synchronized Solutions	25,000.00	25,000.00	25,000.00	1
The League Club	25,000.00	25,000.00	25,000.00	1
Airconditioner	23,000.00	23,000.00	23,000.00	1
DEF Ltd	21,000.00	21,000.00	21,000.00	1
Simco Machinery Co.,	21,000.00	21,000.00	21,000.00	1
<b>Skipped Ledgers</b>				
Advance Tax	2,50,000.00	2,50,000.00	2,50,000.00	1
CST Tax @ 4%	1,44,785.00	1,44,785.00	1,44,785.00	1
<b>Grand Total</b>	<b>11,51,570.00</b>			<b>16</b>

Figure 5. Cash Payments Screen with Skipped Ledgers Details

*Click **F9:Hide Skipped** to hide the details of skipped ledgers (default display).*



- Click/Press **Enter** any ledger (e.g. **Business Promotion Expenses**) in the **Cash Payments** screen (refer Fig 4 above)

The **Ledger Vouchers** screen is displayed.

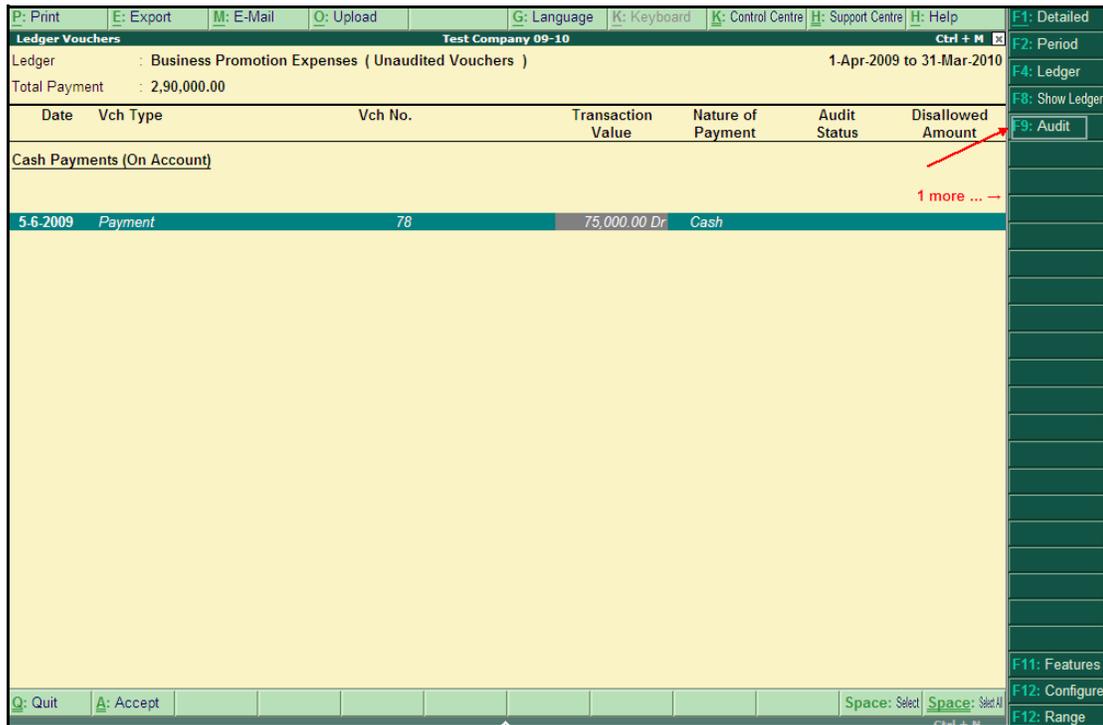


Figure 6. Audited Vouchers- Cash Payments- with F9-Audit option

10. Select any entry in **Ledger Vouchers** screen by clicking the space bar
11. Click **F9: Audit** button or press **F9** to display the **Audit Details** window
12. Select the required value for **Audit Status**
13. Enter the comments under **Audit Note**

The **Audit Details** window under **Audit Details** screen is displayed.



Figure 7. Audit Details with Audit Status and Audit Note details



To audit a cash entry, execute the path: **Tally Main->Gateway of Tally->Audit & Compliance->Tax Audit->Cash Payments->Ledger Vouchers**

14. Click **Alt + P** to print the annexure to the clause

The **Annexure to Clause 17(h)** report is enclosed.

Annexure to Clause 17(h)						
Amount Inadmissible Under Section 40A (3)						
Name and Address of the Assessee				Previous Year Ended: 31-Mar-2010		
Test Company				Assessment Year : 2010 - 11		
289, 80ft Road,				PAN/TAN Number : EEENM16586		
10th Block, Koramangala,						
Bangalore						
Sl. No.	Date	Vch No.	Nature & Particulars of Expenditure	Amount Paid Other wise Than by account payee cheque /draft	Voucher Amount	Remarks
1	5-Jun-2009	78	Business Promotion Expenses	75,000.00	75,000.00	
<b>Grand Total</b>				<b>75,000.00</b>	<b>75,000.00</b>	

Figure 8. Annexure to Clause 17(h) – Sec 40(A)3

### Button menus in the Cash Payments screen



**F4: Group:** Click this button or press **F4** to select any Group for finding out the payments made by cash exceeding twenty thousand rupees on a day.

**F7: Show All Vch:** Click this button or press **F7** to display the details of **Audited, Unaudited** and **Total** number of vouchers. Click **F7: Show Pending** or press **F7** to return to the earlier screen.

**F9: Show Skipped:** Click this button or press **F9** to display the details of ledgers that have been skipped. Click **F9: Hide Skipped** or press **F9** to return to the earlier screen.

**Ctrl+F9:** Click this button or press **Ctrl** and **F9** together to select any ledger for exclusion under this clause for reporting. Click **Esc** after saving the selection to return to the earlier screen.

**F10: Range Wise:** Click this button or press **F10** to list cash payments for a select range of amount with the highest and lowest values and the **Unaudited Vouchers** details. Click **F10: Group Wise** or press **F10** to return to the earlier screen.

**Alt+B:** Click this button or press **Alt** and **B** together to display the details of payments through the bank accounts. Click **Ctrl+Q** or **Esc** to return to the earlier screen.

**F11: Features:** Click this button or press **F11** to define and save the **Tax Audit Rules**. The values entered under Sec 40A (3) are pre-configured. However, the user may configure the parameters with the desired values.

**F12: Configure:** Click this button or press **F12** to define the configuration details for the display of details under the clause.

### Clause 24(a)- Loans & Deposits Accepted under Sec 269 SS

This section refers to the mode of acceptance of loans and deposits by any person through an account payee cheque or demand draft only, for amounts equal to and exceeding Rs.20000/- . In other words receiving cash payments for amounts equal to and exceeding Rs.20000/- will be disallowed as deductions while computing the annual income for tax.

**Audit scope:** We will be finding those receipts (loans & deposits) accepted by cash and which aggregate to and exceed rupees twenty thousand in a day.

1. Select **Loans and Deposits Accepted** in **Tax Audit** dashboard screen

The **Loans and Deposited Accepted** screen is displayed.

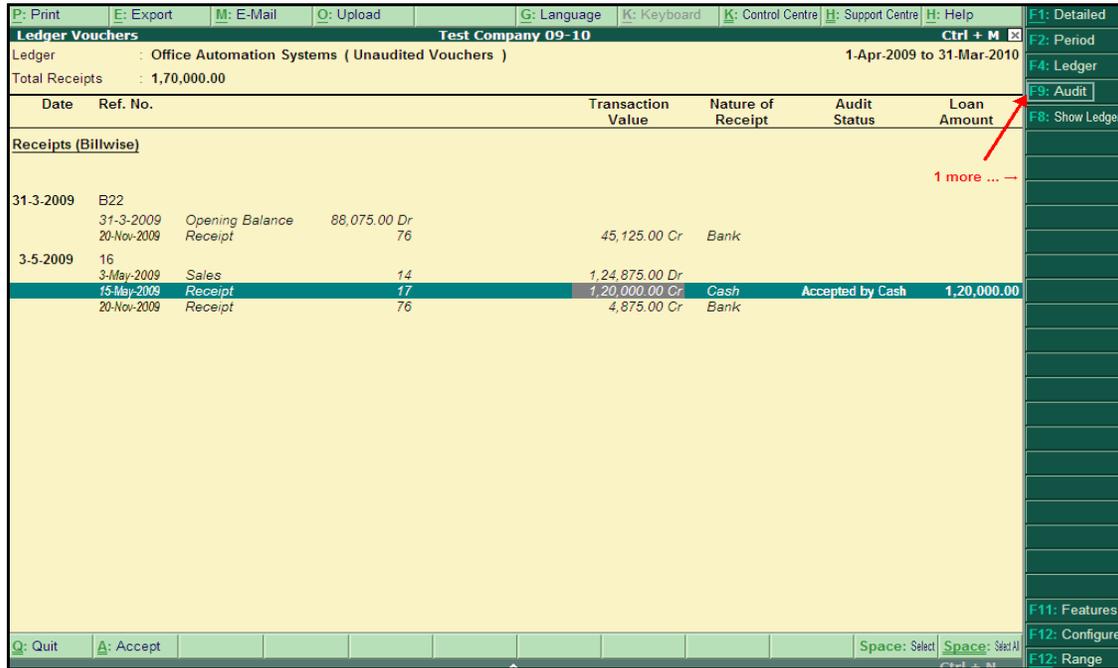
Loans & Deposits Accepted			Test Company 09-10		Ctrl + M
Loans & Deposits Accepted			1-Apr-2009 to 31-Mar-2010		
Group: All Items					
Particulars	Name of Group	Primary Group	Total Amount	Unaudited Vouchers	
Janata Timbers	Sundry Debtors	Sundry Debtors	79,55,900.27	10	
Hindustan Timbers	Sundry Debtors	Sundry Debtors	58,94,813.28	8	
Nirmaan Timbers	Sundry Debtors	Sundry Debtors	26,92,678.52	4	
Silverplus Computers	South Debtors	Sundry Debtors	24,00,000.00	4	
Aravind Kumar	South Debtors	Sundry Debtors	23,88,920.00	7	
Vijayakumar's	Sundry Debtors	Sundry Debtors	10,00,000.00	1	
Computer Junction	South Debtors	Sundry Debtors	2,35,300.00	6	
Venkateshwara Softwares	South Debtors	Sundry Debtors	2,05,039.00	1	
Fortune Computer Services	South Debtors	Sundry Debtors	1,85,000.00	3	
Office Automation Systems	South Debtors	Sundry Debtors	1,70,000.00	2	
Step-in Computers	South Debtors	Sundry Debtors	1,70,000.00	8	
Prism Softlinks	South Debtors	Sundry Debtors	1,65,000.00	8	
Amar Computer Peripherals	South Debtors	Sundry Debtors	1,42,565.00	2	
Soft Stop	South Debtors	Sundry Debtors	1,12,500.00	4	
Gaitonde Traders	South Debtors	Sundry Debtors	1,10,000.00	1	
MNO Ltd	Unsecured Loans	Unsecured Loans	1,05,000.00	3	
Manjunath Systems	South Debtors	Sundry Debtors	84,330.00	2	
Supreme Computers Peripherals	Sundry Debtors	Sundry Debtors	82,968.75	2	
Modern Advertisers	Sundry Debtors	Sundry Debtors	77,303.68	11	
Horizon Systems	South Debtors	Sundry Debtors	70,000.00	1	
Priya Ganesh Loan	Unsecured Loans	Unsecured Loans	50,000.00	1	
Narayan	Unsecured Loans	Unsecured Loans	45,000.00	1	
Shankar	Unsecured Loans	Unsecured Loans	35,000.00	1	
B Ramesh - Loan	Unsecured Loans	Unsecured Loans	25,000.00	1	
Global Traders	South Debtors	Sundry Debtors	22,700.00	4	
DEF Ltd	Unsecured Loans	Unsecured Loans	21,500.00	3	
Sterling Business Solutions	South Debtors	Sundry Debtors	21,375.00	1	
<b>Grand Total</b>			<b>2,44,89,123.50</b>	<b>101</b>	

Figure 9. Details of loans & deposits accepted- Sec 269SS of the IT Act

The details displayed in this screen are:

- ❑ Particulars (Ledger Account )
- ❑ Name of Group (The Group/sub-Group under which the ledger is created)
- ❑ Primary Group (The main Group under which the ledger is created)
- ❑ Total Amount (The total amount of Loans/Deposits accounted in the ledger)
- ❑ Unaudited Vouchers (vouchers yet to be audited)

- Click any ledger in the **Loans & Deposits Accepted** screen to display the **Ledger Vouchers** screen with details of payments entries by voucher

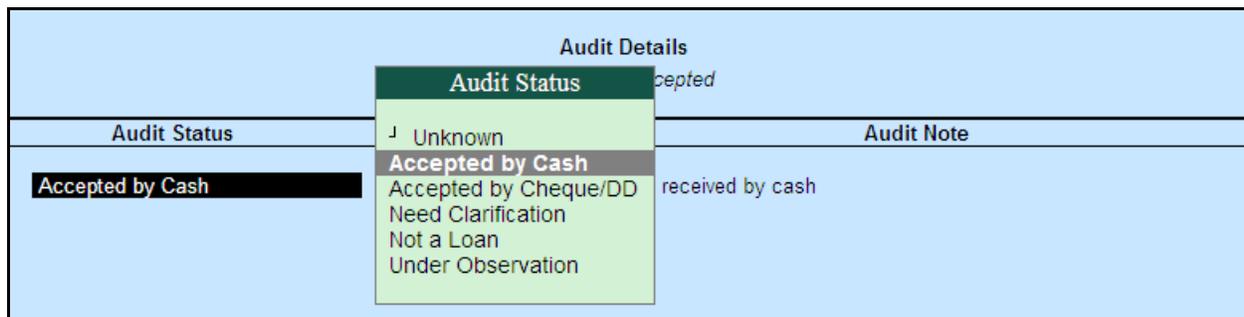


Date	Ref. No.		Transaction Value	Nature of Receipt	Audit Status	Loan Amount
<b>Receipts (Billwise)</b>						
31-3-2009	B22					
31-3-2009		Opening Balance	88,075.00 Dr			
20-Nov-2009		Receipt	76	45,125.00 Cr	Bank	
3-5-2009	16					
3-May-2009		Sales	14	1,24,875.00 Dr		
15-May-2009		Receipt	17	1,20,000.00 Cr	Cash Accepted by Cash	1,20,000.00
20-Nov-2009		Receipt	76	4,875.00 Cr	Bank	

Figure 10. Details of cash payment for an entry for audit- Sec 269SS of the IT Act

- Select any receipt voucher(s) by clicking the spacebar
- Click **F9: Audit** button or press **F9** to display the **Audit Details** for **Loans Accepted** window
- Select the required value for **Audit Status**
- Enter the value for **Amount** depending on the value selected for **Audit Status**
- Enter the comments under **Audit Note**

The **Audit Details** window under **Audit Details** screen is displayed.



Audit Details	
Audit Status	Audit Note
Accepted by Cash	received by cash

Figure 11. Audit Details with Audit Status and Audit Note



To audit a loans and deposits accepted entry, execute the path: **Tally Main->Gateway of Tally->Audit & Compliance->Tax Audit->Loans & Deposits Accepted->Ledger Vouchers**

8. Click **Alt + P** to print the annexure to the clause

The **Annexure to Clause 24(a)** report is displayed.

Annexure to Clause 24(a) Loans and Deposits Accepted						
Name and Address of the Assessee			Previous Year Ended : 31-Mar-2010			
Test Company			Assessment Year : 2010 - 11			
289, 80ft Road, 10th Block, Koramangala, Bangalore			PAN/TAN Number : EEENM16586			
Sl. No.	Name, address and PAN of the lender or depositor	Amount of loan or deposit taken or accepted	Whether the loan or deposit was squared up during the previous year	Maximum amount outstanding in the account at any time during the previous year	Whether the loan or deposit was taken or accepted otherwise than by an account payee cheque or an account payee bank draft.	Remarks
1	Office Automation Systems By Cash : 1,20,000.00	1,20,000.00		1,67,825.00	Yes	
	<b>Grand Total</b>	<b>1,20,000.00</b>				

Figure 12. Annexure to Clause 24(a) –Sec 269 SS

**Button menus available in the Loans and Deposits Accepted screen**



**F4: Group:** Click this button or press **F4** to select any ledger for finding out the loans and deposits accepted by cash exceeding twenty thousand rupees on a day.

**F7: Show All Vch:** Click this button or press **F7** to display the details of **Audited, Unaudited and Total** number of vouchers. Click **F7: Show Pending** or press **F7** to return to the earlier screen.

**Ctrl+F9:** Click this button or press **Ctrl** and **F9** together to select any group for inclusion under this clause for audit and reporting. Select the particular group and press **Ctrl +A** to include the group under this clause for audit. Click **Esc** or **Ctrl + Q** after saving the selection to return to the earlier screen.

**F12: Configure:** Click this button or press **F12** to define the configuration details for the display of details under the clause.

## Clause 24(b)- Loans & Deposits Repaid under Sec 269 T

This clause relates to repayments of loans and deposits repaid by an assessee who is a company, firm, person, co-operative society, etc. by an account payee cheque or demand draft only for amounts equal to and exceeding Rs.20000/-. In other words repayments of loans and deposits by cash for amounts aggregating to and exceeding Rs.20000/-, will be disallowed as deductions while computing the annual income for tax.

**Audit scope:** We will be finding those repayments (loans & deposits) made by cash and which aggregate to and exceed rupees twenty thousand in a day.

1. Select **Loans and Deposits Repaid** in **Tax Audit** Dashboard screen

The **Loans and Deposits Repaid** screen is displayed.

Loans & Deposits Repaid			Test Company 09-10		Ctrl + M
Loans & Deposits Repaid			1-Apr-2009 to 31-Mar-2010		
Group: All Items					
Particulars	Name of Group	Primary Group	Total Amount	Unaudited Vouchers	
Mahesh Timbers	Sundry Creditors	Sundry Creditors	64,80,564.00	5	
Chandra Timbers	Sundry Creditors	Sundry Creditors	55,49,414.50	6	
Vijayakumar's	Sundry Debtors	Sundry Debtors	10,00,000.00	10	
Cholamandalam Auto Finance Coy.,	Unsecured Loans	Unsecured Loans	1,93,833.97	11	
Shankar	Unsecured Loans	Unsecured Loans	67,000.00	4	
Synchronized Solutions	Sundry Debtors	Sundry Debtors	50,000.00	2	
MNO Ltd	Unsecured Loans	Unsecured Loans	30,000.00	1	
Priya Ganesh Loan	Unsecured Loans	Unsecured Loans	25,000.00	1	
B Ramesh - Loan	Unsecured Loans	Unsecured Loans	25,000.00	1	
Fast Couriers	Sundry Creditors	Sundry Creditors	22,775.38	15	
Interest on Car Loan A/c	Current Liabilities	Current Liabilities	21,806.29	11	
DEF Ltd	Unsecured Loans	Unsecured Loans	21,000.00	1	
Narayan	Unsecured Loans	Unsecured Loans	20,000.00	1	
Telephone Link Ltd.,	Sundry Creditors	Sundry Creditors	18,932.66	14	
ANS Tech	Sundry Creditors	Sundry Creditors	15,000.00	1	
HDFC Silver Credit Card	Loans (Liability)	Loans (Liability)	10,770.00	1	
<b>Grand Total</b>			<b>1,35,51,096.80</b>	<b>85</b>	

Figure 13. Loans & Deposits Repaid – Sec 269 T

A list of loans and deposits repaid is displayed for the ledgers group wise in the **Loans and Deposited Repaid** screen. The details displayed in this screen are:

- ❑ Particulars (Ledger Account)
- ❑ Name of Group (The Group/sub-Group under which the ledger is created)
- ❑ Primary Group (The main Group under which the ledger is created)
- ❑ Total Amount (The total amount of Loans/Deposits accounted in the ledger)
- ❑ Unaudited Vouchers (vouchers yet to be audited)

- Click any ledger in the **Loans and Deposited Repaid** screen to display the details of payments entries by voucher.

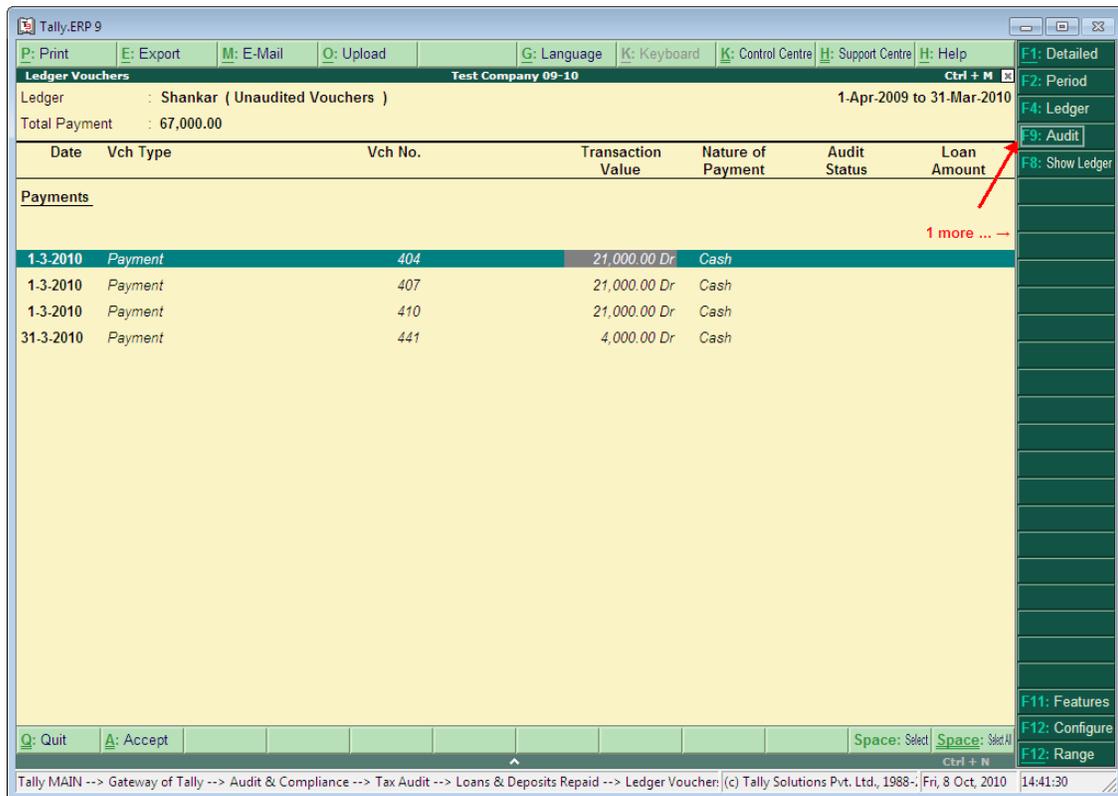


Figure 14. Ledger Vouchers Unaudited

- Select any payment voucher(s) by clicking the spacebar
- Click **F9:Audit** button or press **F9** to display the **Audit Details for Loans Repaid** window
- Select the required value for **Audit Status**
- Enter the value for **Amount** depending on the value selected for **Audit Status**
- Enter the comments under **Audit Note**

The **Audit Details** window in the **Audit Details** screen is displayed.

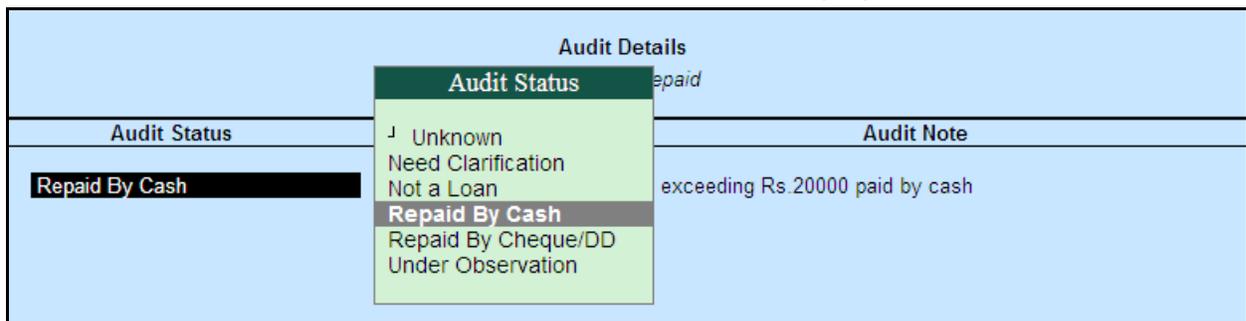


Figure 15. Audit Details with Audit Status and Audit Note

In a similar manner you can audit the cash payments made above Rs.20000/- relating to vouchers **407 & 410** dt. **1.3.2010 (Rs.21000** each).



To audit an entry under Sec 269 T, execute the path: **Tally Main->Gateway of Tally->Audit & Compliance->Tax Audit->Loans & Deposits Repaid->Ledger Vouchers**

8. Click **Alt+P** to print the annexure to the clause

The **Annexure to Clause 24(b)** report is displayed.

Annexure to Clause 24(b)					
Loans and Deposits Repaid					
Name and Address of the Assessee			Previous Year Ended	: 31-Mar-2010	
Test Company			Assessment Year	: 2010 - 11	
289, 80th Road, 10th Block, Koramangala, Bangalore			PAN/TAN Number	: EEEENM16586	
Sl. No.	Name, address and PAN	Amount of repayment	Maximum amount outstanding in the account at any time during the previous year	Whether the repayment was made otherwise than by account payee cheque or account payee bank draft	Remarks
1	Shankar	63,000.00	49,000.00	Yes	
	By Cash: 63,000.00				
	<b>Grand Total</b>	<b>63,000.00</b>			

Figure 16. Annexure to Clause 24(b) –Sec 269 T

#### Button menus available in the Loans and Deposits Repaid screen



**F4: Group:** Click this button or press **F4** to select any ledger for finding out the loans and deposits repaid by cash exceeding twenty thousand rupees on a day.

**F7: Show All Vch:** Click this button or press **F7** to display the details of Audited, Unaudited and Total number of vouchers. Click **F7: Show Pending** or press **F7** to return to the earlier screen.

**Ctrl+F9:** Click this button or press **Ctrl** and **F9** together to select any group for inclusion under this clause for audit and reporting. Select the particular group and press **Ctrl+A** to include the group under this clause for audit. Click **Esc** or **Ctrl+Q** after saving the selection to return to the earlier screen.

**F12: Configure:** Click this button or press **F12** to define the configuration details for the display of details under the clause.

## Clause 16- Bonus, PF, ESI Recoveries under Sec 36 (1) (va) of the Income Tax Act

This section deals with the recoveries from employees' salaries as contributions towards any provident or superannuation fund or any other fund mentioned in Sec 2 (24) (x) of the Income Tax Act. The recoveries have to be deposited in the appropriate Funds on or before the due dates.

**Audit Scope:** We will be finding whether the statutory deductions made by the assessee as an employer under the PF and other funds are deposited into the funds on or before the due dates.

1. Select **Bonus, PF,ESI Recoveries** in **Tax Audit** Dashboard screen

The **Employees Deductions** screen is displayed.

Employees' Deduction Details								1-Apr-2009 to 31-Mar-2010	
Particulars	Amount			Payment Status	Audit Status				
	Contributed / Deducted	Paid	Difference		Audited	Unaudited	Total		
<b>Provident Fund</b>	1,50,097.11 Cr	1,40,586.11 Dr	9,511.00 Cr	Due (Partially)		37	37		
Employees' Statutory Deductions	1,05,794.00 Cr	1,06,574.00 Dr	780.00 Dr	On Time		37	37		
Employer's Other Charges	3,594.11 Cr	3,594.11 Dr		On Time		32	32		
Employer's Statutory Contributions	40,709.00 Cr	30,418.00 Dr	10,291.00 Cr	Due (Partially)		37	37		
<b>Employee State Insurance</b>	14,561.00 Cr	13,620.00 Dr	941.00 Cr	Due (Partially)		36	36		
Employees' Statutory Deductions	5,750.00 Cr	5,750.00 Dr		On Time		36	36		
Employer's Statutory Contributions	8,811.00 Cr	7,870.00 Dr	941.00 Cr	Due (Partially)		36	36		
<b>Professional Tax</b>	20,740.00 Cr	20,890.00 Dr	150.00 Dr	On Time		36	36		
Employees' Statutory Deductions	20,740.00 Cr	20,890.00 Dr	150.00 Dr	On Time		36	36		
<b>Bonus</b>		75,250.00 Dr							
Paid to Employees		75,250.00 Dr							
<b>Total</b>						109	109		

Figure 17. Employees' Deduction Details-Sec 36 (1) (va)

A list of statutory deductions made under the PF Act, ESI Act, Professional Tax Act and Bonus is displayed for the ledgers group wise in the **Employees Deductions** screen. The amounts in red colour indicate that the dues that are to be paid/deposited into the Fund.

The details displayed in this screen are:

- ❑ Details of group deductions under the funds (PF/ESI/Prof Tax)
- ❑ Amount (Contributed/Deducted, Paid, Difference)
- ❑ Payment Status (Due or Paid)
- ❑ Audit Status (Audited/Unaudited/Total)

2. Click any statutory deduction ledger in the **Employees Deductions** screen

The **Payroll Monthly Summary** screen is displayed.

Particulars		Amount		Int & Other Payments	Payment Status	Audit Status		
Contribution / Deducted	Paid	Difference	Audited			Unaudited	Total	
April	8,765.60 Cr	9,545.60 Dr	780.00 Dr		On Time		3	3
May	11,985.30 Cr	11,985.30 Dr			On Time		3	3
June	13,080.21 Cr	13,080.21 Dr			On Time		3	3
July	13,309.10 Cr	9,383.10 Dr	3,926.00 Cr		Due (Partially)		4	4
August	13,259.06 Cr	10,351.06 Dr	2,908.00 Cr		Due (Partially)		3	3
September	12,952.90 Cr	12,952.90 Dr			On Time		3	3
October	12,925.77 Cr	9,468.77 Dr	3,457.00 Cr		Due (Partially)		3	3
November	12,904.77 Cr	12,904.77 Dr			On Time		3	3
December	12,553.60 Cr	12,553.60 Dr			On Time		3	3
January	12,991.90 Cr	12,991.90 Dr			On Time		3	3
February	12,875.90 Cr	12,875.90 Dr			On Time		3	3
March	12,493.00 Cr	12,493.00 Dr			On Time		3	3
<b>Grand Total</b>	<b>1,50,097.11 Cr</b>	<b>1,40,586.11 Dr</b>	<b>9,511.00 Cr</b>				<b>37</b>	<b>37</b>

Figure 18. Payroll Monthly Summary

3. Select the deduction for any month and move the cursor to the **Paid** field

4. Click on the amount in the **Paid** field

The **Provident Fund Payment Vouchers** screen for the selected month is displayed.

Date	Vch No.	Challan Date	Due Date	Payment Status	Amount	Interest Payments	Audit Status	Audit Note
30-4-2009	27		15-5-2009	Unknown	3,884.60 Dr		Unknown	
30-4-2009	28		15-5-2009	Unknown	2,859.00 Dr			
30-4-2009	29		15-5-2009	Unknown	2,802.00 Dr			
<b>Total</b>					<b>9,545.60 Dr</b>			

Figure 19. Statutory Deduction Payment Vouchers

5. Select a payment entry by clicking the spacebar
6. Click **F9: Audit** or press **F9** to display the **Audit Details for Payroll** window

The **Audit Details** window in the **Audit Details** screen is displayed.

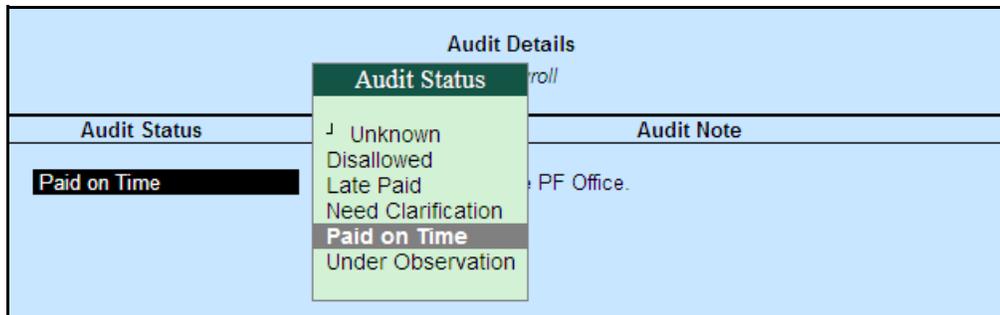


Figure 20. Audit Details with Audit Status and Audit Note



- i. Please ensure that the Payroll feature in Tally.ERP 9 is activated.
- ii. To audit a PF recovery under Sec 36 (1) (va), execute these steps:**Tally Main-> Gateway of Tally->Audit & Compliance->Tax Audit->Employees Deduction->Payroll Monthly Summary-> Provident Fund Payment Vouchers**
- iii. The figures in red colour in the **Employee Deduction** screen indicate the contribution amounts not paid or partially/excess paid

In a similar manner you can audit the Bonus, PF, ESI Recoveries transactions.

7. Click **Alt+P** to print the annexure to the clause

The **Annexure to Clause 16 and 21** report is displayed.

Annexure to Clause 16 and 21 Bonus Payments									
Name and Address of the Assessee		Previous Year Ended : 31-Mar-2010							
Test Company 289, 80ft Road, 10th Block, Bangalore									
Annexure to Clause 16 and 21 Professional Tax Payments									
Name and Address of the Assessee		Previous Year Ended : 31-Mar-2010							
Test Company 289, 80ft Road, 10th Block, Bangalore									
Annexure to Clause 16 and 21 ESI Payments									
Name and Address of the Assessee		Previous Year Ended : 31-Mar-2010							
Test Company 289, 80ft Road, 10th Block, Koramangala, Bangalore									
Assessment Year		: 2010 - 11							
PAN/TAN Number		: EEENM16586							
Details of Provident Fund Payments									
Particulars	Contribution		Admin Charges	Other Charges	Total	Due On		Paid On	Remarks
	Employees	Employers				Employees	Employers		
April 2009	6,718.00	1,837.00	210.60		8,765.60	15-5-2009	15-5-2009	30-4-2009	
May 2009	8,511.00	3,171.00	303.30		11,985.30	15-6-2009	15-6-2009	31-5-2009	
June 2009	8,908.00	3,808.00	364.21		13,080.21	15-7-2009	15-7-2009	30-6-2009	
July 2009	9,008.00		375.10		9,383.10	15-8-2009	15-8-2009		
August 2009	9,042.00	941.00	368.06		10,351.06	15-9-2009	15-9-2009	31-8-2009	
September 2009	9,141.00	3,480.00	331.90		12,952.90	15-10-2009	15-10-2009	30-9-2009	
October 2009	9,139.00		329.77		9,468.77	15-11-2009	15-11-2009	31-10-2009	
November 2009	9,118.00	3,457.00	329.77		12,904.77	15-12-2009	15-12-2009	30-11-2009	
December 2009	8,910.00	3,326.00	317.60		12,553.60	15-1-2010	15-1-2010	31-12-2009	
January 2010	9,180.00	3,480.00	331.90		12,991.90	15-2-2010	15-2-2010	31-1-2010	
February 2010	9,064.00	3,480.00	331.90		12,875.90	15-3-2010	15-3-2010	28-2-2010	
March 2010	9,055.00	3,438.00			12,493.00	15-4-2010	15-4-2010	31-3-2010	
<b>Grand Total</b>	<b>1,05,794.00</b>	<b>30,418.00</b>	<b>3,594.11</b>		<b>1,39,806.11</b>				

Figure 21. Annexure to Clause 16 –Sec 36 (1) (va)

**Buttons available in the Employees' Deduction Details screen**



**F5: Masters:** Click this button or press **F5** display the **List of Pay Heads** screen.

**F6: Payment Summary:** Click this button or press **F6** to display the monthly statutory payments details relating to contributions, charges, amounts due and the date of payment.

**Alt + X: Exceptions:** Click this button or press **Alt** and **X** together to display only the exception details for audit. Click **Alt+X: All** to return to the default screen.

**F11: Features:** Click this button or press **F11** to view the **Tax Audit Rules** on the payment schedule for statutory deductions.

**F12: Configure:** Click this button or press **F12** to define the configuration details for the display of details under the clause.

## Clause 18- Payments to Specified Persons under Sec 40(2) (b) of the Income Tax Act

Under this section, certain expenses or payments made to any person can be inadmissible as perceivable by the IT dept if found to be excessive or unreasonable having regard to the fair value of goods, services or facilities offered by them. The persons who are covered by this section are:

- relatives of the assessee
- directors of a company
- partners of a firm,
- person having substantial interest in a company or firm
- family members of the director/partner

**Audit Scope:** We will be finding whether there have been payments to specified persons made by the assessee, which are excessive or unreasonable, as per the Income Tax Dept.

1. Select **Payments to Specified Persons** in **Tax Audit** Dashboard screen

The **Payments to Specified Persons** screen is displayed.

Particulars	Relation Type	Total Amount	Unaudited Vouchers
Aravind Kumar	Brother	23,88,412.00	5
AVT Computers	Sister Organisation		
Computer Junction		3,40,120.00	4
Akshaya Trust	Relation	50,000.00	1
Ramesh - Loan		25,000.00	1
Bharat Petro A/C		24,967.00	9
Dollar Trading Co.,		5,864.80	7
<b>Grand Total</b>		<b>28,34,163.80</b>	<b>27</b>

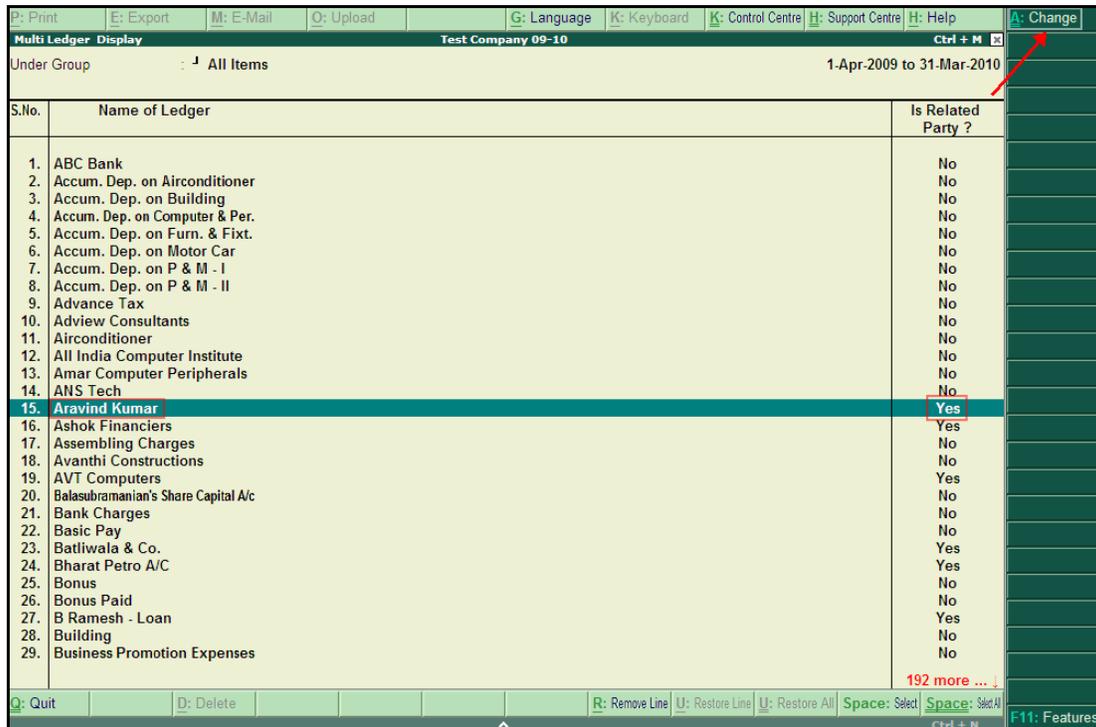
Figure 22. Payments to specified persons – Clause 18

A list of ledgers of specified persons is displayed with the amounts paid to them and the information on the unaudited vouchers.

The identification of specified persons can be made at the ledger master creation by the assessee. Alternatively, you can mark those ledgers which are to be included as specified persons by executing these steps.

2. Click the **Ctrl+F9** button in the **Payments to Specified Persons** screen to display the **List of Groups** for selection
3. Select **All Items** or a desired **Group** to display the **Multi Ledger Display** screen
4. Select the particular ledger account and press spacebar
5. Click **Ctrl+A** button to change the value under **Is Related Party?** to **Yes**

The **Multi Ledger Display** screen is displayed.



S.No.	Name of Ledger	Is Related Party ?
1.	ABC Bank	No
2.	Accum. Dep. on Airconditioner	No
3.	Accum. Dep. on Building	No
4.	Accum. Dep. on Computer & Per.	No
5.	Accum. Dep. on Furn. & Fixt.	No
6.	Accum. Dep. on Motor Car	No
7.	Accum. Dep. on P & M - I	No
8.	Accum. Dep. on P & M - II	No
9.	Advance Tax	No
10.	Adview Consultants	No
11.	Airconditioner	No
12.	All India Computer Institute	No
13.	Amar Computer Peripherals	No
14.	ANS Tech	No
15.	Aravind Kumar	Yes
16.	Ashok Financiers	Yes
17.	Assembling Charges	No
18.	Avanathi Constructions	No
19.	AVT Computers	Yes
20.	Balasubramanian's Share Capital A/c	No
21.	Bank Charges	No
22.	Basic Pay	No
23.	Batlwala & Co.	Yes
24.	Bharat Petro A/C	Yes
25.	Bonus	No
26.	Bonus Paid	No
27.	B Ramesh - Loan	Yes
28.	Building	No
29.	Business Promotion Expenses	No

Figure 23. 51– Configuration of Ledger Account as Related Party

6. Press **Esc** or **Ctrl+Q** to return to the **Payments to Specified Persons** screen
7. Select any ledger (e.g. **Akshaya Trust**) in the **Payments to Specified Persons** screen and press **Enter**

The **Ledger Voucher** screen with the payment entry details is displayed.

Date	Vch Type	Vch No.	Transaction Value	Audit Status	To be Reported Amount	Nature of Payment	Audit Note
31-3-2010	Payment	445	50,000.00 Dr				
	Canara Bank		50,000.00 Cr				

Figure 24. Ledger Account of Monthly Payment Details to Specified Person

8. Select the payment by pressing the spacebar

The **F9: Audit** button menu is activated on the right panel.

9. Click **F9: Audit** or press **F9** to display the **Audit Details for Payments to Specified Persons** window

10. Select the required value for **Audit Status**

11. Enter the values for **Amount** and **Nature of Payment** depending on the value selected for **Audit Status**

12. Enter the comments under **Audit Note**

The **Audit Details** window in the **Audit Details** screen is displayed.

Audit Status	Nature of Payment	Audit Note
To be Reported	Payment	Payment to specified person.

Figure 25. Audit Details with Audit Status and Audit Note



To audit a payment to specified person, execute the steps:

**Tally Main->Gateway of Tally->Audit & Compliance->Tax Audit->Payments to Specified Persons->Ledger Vouchers**

13. Click **Alt + P** to print the annexure to the clause

The **Annexure to Clause 18** is displayed.

<b>Annexure to Clause 18</b>				
Payments to Specified Persons Under Section 40A(2)(b)				
Name and Address of the Assessee			Previous Year Ended : 31-Mar-2010	
Test Company			Assessment Year : 2010 - 11	
239, 80ft Road, 10th Block, Koramangala, Bangalore			PAN/TAN Number : EEEENM16686	
Sl. No.	Name	Nature of Payment	Amount	Remark
1	Ashava Trust	Commission Payment	50,000.00	
<b>Grand Total</b>			<b>50,000.00</b>	

Figure 26. Annexure to Clause 18 - Sec 40(2) (b)

#### **Button menus available in the Payments to Specified Persons screen**



**F4: Group:** Click this button or press **F4** to select any ledger for finding out the payments to specified persons.

**F7: Show All Vch:** Click this button or press **F7** to display the details of **Audited, Unaudited** and **Total** number of vouchers. Click **F7: Show Pending** or press **F7** to return to the earlier screen.

**F12: Configure:** Click this button or press **F12** to define the configuration details for the display of details under the clause.

## Clause 27- Tax Deducted at Source

Under this clause the assessee has to report whether tax at source has been deducted and paid to the account of the Government as per the provisions of Chapter XVII- B of the Income Tax Act. Any person deducting any tax in accordance with the provisions of this Chapter shall pay the amount within the prescribed time, to the credit of the Central Government or as the Board directs. The person deducting shall also prepare the necessary statements and file them with the IT Dept as required under the Act.

**Audit Scope:** We will be verifying whether tax deducted at source has been deposited to the account of the Government within the prescribed time.

1. Select **Tax Deducted at Source** in **Tax Audit** Dashboard screen

The **TDS Summary** screen is displayed.

TDS Summary					
Test Company 09-10					
1-Apr-2009 to 31-Mar-2010					
Particulars	Assessable Value	Tax Amount	Audit Status		
			Audited	Unaudited	Total
<b>Deduction Details</b>					
Deducted On Time	34,000.00	3,934.00		3	3
Deductible	2,40,000.00	11,460.00 (Estimated)		11	11
Deducted Late	2,20,000.00	18,540.00		10	10
Deducted at Zero Rate (Section 197 A)					
Deducted at Lower Rate (Section 197)					
Under Exemption Limit					
Marked as Not Applicable					
<b>Payment Details</b>					
Paid on Time	22,000.00	2,080.00		2	2
Paid Late	2,32,000.00	40,788.00		11	11
Deducted but not Paid					

Figure 27. TDS Deduction & Payment Summary

A list of deduction and payment details are displayed with the tax information in the screen:

- Assessable Value
- Tax Amount
- Audit Status (Audited/Unaudited/Total)

2. Click any of the **Deduction Details/Payment Details** in the **TDS Summary** screen

The **TDS Summary** screen is displayed.

TDS Summary		Test Company 09-10		Ctrl + M	
Deducted On Time - Expenses Summary		1-Apr-2009 to 31-Mar-2010			
Particulars	Assessable Value	Tax Amount	Audit Status		Total
			Audited	Unaudited	
Manpower Charges	10,000.00	226.00		1	1
Rent	24,000.00	3,708.00		2	2
<b>Grand Total</b>	<b>34,000.00</b>	<b>3,934.00</b>		<b>3</b>	<b>3</b>

Figure 28. TDS Summary for the deductions made

3. Click any ledger in the **TDS Summary** screen

The **TDS Details** screen is displayed.

TDS Bills		Test Company 09-10		Ctrl + M			
Deducted On Time for : Manpower Charges		1-Apr-2009 to 31-Mar-2010					
Ref No.	Party Ledger	Nature of Payment	Assessable Value	Tax Amount	Tax Rate	Audit Status	Audit Note
101 / 11-1	Purvankara Projects	Payments to Contractors (Other Than Advertisement)	10,000.00	226.00	2 %		
		(Other Status: Paid On Time)					
			10,000.00	226.00			

Figure 29. TDS Bills Details for the selected ledger

4. Click **F9: Audit** or press **F9** to display the **Audit Details** window

5. Select the required value for **Audit Status**

6. Enter the comments under **Audit Note**

The **Audit Details** window in the **Audit Details** screen is displayed.

Audit Details for Manpower Charges		
Audit Status	Audit Status	Audit Note
Audited	<ul style="list-style-type: none"> <li>Unknown</li> <li><b>Audited</b></li> <li>Need Clarification</li> <li>Under Observation</li> </ul>	vankara is deducted on time.

Figure 30. Audit Details with Audit Status & Audit Note



- i. You have to enable the **TDS** option under **Statutory & Taxation of F11** in Tally.ERP 9 to perform audit under this clause.
- ii. To audit a TDS transaction that is remitted to the Government as per Chapter XVII-B of the IT Act, execute these steps: **Tally MAIN->Gateway of Tally->Audit & Compliance->Tax Audit->TDS Summary->TDS Summary**

In a similar manner you can audit all details under **Deduction Details** and **Payment Details** in the **TDS Summary** screen.

7. Click **Alt+P** to print the annexure to the clause

The **Annexure to Clause 27(b)(1)** report is enclosed.

**Annexure to Clause 27(b)(v)**  
Tax Paid Late

Name and Address of the Assessee: 289, 80ft R 10th Block Bangalore  
Previous Year Ended : 31-Mar-2010

**Annexure to Clause 27(b)(i)**  
Tax Deductible but not Deducted at all

Name and Address of the Assessee: 289, 80ft R 10th Block Bangalore  
Previous Year Ended : 31-Mar-2010

**Annexure to Clause 27(b)(ii)**  
Shortfall on account of lesser Deduction than required to be Deducted

Name and Address of the Assessee: 289, 80ft R 10th Block Bangalore  
Previous Year Ended : 31-Mar-2010

**Annexure to Clause 27(b)(iii)**  
Tax Deducted Late

Name and Address of the Assessee: 289, 80ft R 10th Block Bangalore  
Previous Year Ended : 31-Mar-2010

**Annexure to Clause 27(b)(iv)**  
Tax Deducted but not paid to the Credit of Central Government

Name and Address of the Assessee: 289, 80ft Road, 10th Block, Koramangala, Bangalore  
Previous Year Ended : 31-Mar-2010

Test Company: 289, 80ft Road, 10th Block, Koramangala, Bangalore  
Assessment Year : 2010 - 11  
PAN/TAN Number : EEENM16586

SI No	Section	Nature of Expense	Amount of Payment / credit	Date of Deduction	Amount of Tax not Deposited
1	194I	Rent of Land, Building Or Furniture	10,000.00	31-3-2010	1,000.00
2	194I	Rent of Land, Building Or Furniture	10,000.00	31-3-2010	1,000.00
3	194I	Rent of Land, Building Or Furniture	10,000.00	31-3-2010	1,000.00
4	194I	Rent of Land, Building Or Furniture	10,000.00	31-3-2010	1,000.00
5	194I	Rent of Land, Building Or Furniture	10,000.00	31-3-2010	1,000.00
6	194I	Rent of Land, Building Or Furniture	10,000.00	31-3-2010	1,000.00
7	194I	Rent of Land, Building Or Furniture	10,000.00	31-3-2010	1,000.00
8	194I	Rent of Land, Building Or Furniture	10,000.00	31-3-2010	1,000.00
9	194I	Rent of Land, Building Or Furniture	10,000.00	31-3-2010	1,000.00
10	194I	Rent of Land, Building Or Furniture	10,000.00	31-3-2010	1,000.00
11	194H	Commission Or Brokerage	50,000.00	31-12-2009	2,500.00
		<b>Total</b>	<b>1,50,000.00</b>		<b>12,500.00</b>

Figure 31. Annexure to Clause 27 (b) (1)

**Button menus available in the TDS Summary screen**



**F5: Expense Analysis:** Click this button or press **F5** to display the debit and credit details of the **TDS and Non TDS Expenses** and the closing balance.

**F11: Features:** Click this button or press **F11** to view the **Tax Audit Rules** on the payment schedule for statutory deductions.

**F12: Configure:** Click this button or press **F12** to define the configuration details for the display of details under the clause.

### Clause 21- Payments under Sec 43B

Under this clause certain statutory payments made by an assessee are allowable as deductions to the income to the extent of the actual amount paid.

These payments are for liabilities in respect of:

- ❑ taxes and duties.
- ❑ employer contribution to any provident fund or superannuation funds, etc.
- ❑ interest on loans/borrowings.
- ❑ leave salary.

The condition is that the deductions are allowable if the assessee discharges the liabilities before the due date of filing the tax return for the financial year.

**Audit Scope:** To verify the actual payments of certain statutory dues to the Govt/Funds, etc. before the due date of filing the tax return.

1. Select **Employer’s Contribution** under **Payments under Section 43B** in the **Tax Audit Annexures to Form 3CD** screen to display the **Employer’s Contribution** screen

The screen displays the following details:

- ❑ Amount contributed/deducted (Provident Fund/ESI- Employer and Employee related deductions and charges)
- ❑ Amount paid and the difference
- ❑ Payment status (On Time or Due [Partially])
- ❑ Audit Status (Audited/Unaudited/Total)

The **Employer’s Contribution** screen is displayed.

Employer's Contribution Details								1-Apr-2009 to 31-Mar-2010		
Particulars	Amount			Payment Status	Audit Status					
	Contributed / Deducted	Paid	Difference		Audited	Unaudited	Total			
<b>Provident Fund</b>	<b>1,50,097.11 Cr</b>	<b>1,40,586.11 Dr</b>	<b>9,511.00 Cr</b>	<b>Due (Partially)</b>		<b>37</b>	<b>37</b>			
Employees' Statutory Deductions	1,05,794.00 Cr	1,06,574.00 Dr	780.00 Dr	On Time		37	37			
Employer's Other Charges	3,594.11 Cr	3,594.11 Dr		On Time		32	32			
Employer's Statutory Contributions	40,709.00 Cr	30,418.00 Dr	10,291.00 Cr	Due (Partially)		37	37			
<b>Employee State Insurance</b>	<b>14,561.00 Cr</b>	<b>13,620.00 Dr</b>	<b>941.00 Cr</b>	<b>Due (Partially)</b>		<b>36</b>	<b>36</b>			
Employees' Statutory Deductions	5,750.00 Cr	5,750.00 Dr		On Time		36	36			
Employer's Statutory Contributions	8,811.00 Cr	7,870.00 Dr	941.00 Cr	Due (Partially)		36	36			
<b>Total</b>						<b>73</b>	<b>73</b>			

Figure 32. Employer’s Contribution Details- Sec 43 B

The amounts in red colour indicate that they are due (partially) to be paid/deposited into the Funds.

2. Click any of the contribution amounts under **Provident Fund/Employee State Insurance** in the **Employer's Contribution** screen

The **Payroll Monthly Summary** screen is displayed.

Payroll Monthly Summary								
Statutory Pay Type : Provident Fund		Test Company 09-10		Ctrl + M				
Pay Head Type : Employees' Statutory Deductions		1-Apr-2009 to 31-Mar-2010						
Particulars	Amount			Int & Other Payments	Payment Status	Audit Status		
	Contribution / Deducted	Paid	Difference			Audited	Unaudited	Total
April	6,718.00 Cr	7,498.00 Dr	780.00 Dr		On Time		3	3
May	8,511.00 Cr	8,511.00 Dr			On Time		3	3
June	8,908.00 Cr	8,908.00 Dr			On Time		3	3
July	9,008.00 Cr	9,008.00 Dr			On Time		4	4
August	9,042.00 Cr	9,042.00 Dr			On Time		3	3
September	9,141.00 Cr	9,141.00 Dr			On Time		3	3
October	9,139.00 Cr	9,139.00 Dr			On Time		3	3
November	9,118.00 Cr	9,118.00 Dr			On Time		3	3
December	8,910.00 Cr	8,910.00 Dr			On Time		3	3
January	9,180.00 Cr	9,180.00 Dr			On Time		3	3
February	9,064.00 Cr	9,064.00 Dr			On Time		3	3
March	9,055.00 Cr	9,055.00 Dr			On Time		3	3
<b>Grand Total</b>	1,05,794.00 Cr	1,06,574.00 Dr	780.00 Dr				37	37

Figure 33. Payroll Monthly Summary – Provident Fund

3. Select any month and click the amount in the **Paid** field
4. The **Provident Fund Payment Vouchers** screen is displayed.

Provident Fund Payment Vouchers										
P: Print		E: Export		M: E-Mail		O: Upload		G: Language		
K: Keyboard		K: Control Centre		H: Support Centre		H: Help		F6: Payment Summary		
Test Company 09-10		Ctrl + M							F9: Audit	
Provident Fund Payment for April ( All Vouchers )		1-Apr-2009 to 30-Apr-2009							X: Exceptions	
Date	Vch No.	Challan Date	Due Date	Payment Status	Amount	Interest Payments	Audit Status	Audit Note		
30-4-2009	27		15-5-2009	Unknown	1,837.00 Dr		Unknown			
30-4-2009	28		15-5-2009	Unknown	2,859.00 Dr					
30-4-2009	29		15-5-2009	Unknown	2,802.00 Dr					
<b>Total</b>					7,498.00 Dr					

Figure 34. Provident Fund Payment Vouchers

5. Select a payment entry by clicking the spacebar
6. Click **F9: Audit** or press **F9** to display the **Audit Details for Payroll** window
7. Select the required value for **Audit Status**
8. Enter the comments under **Audit Note**

The **Audit Details** window in the **Audit Details** screen is displayed.

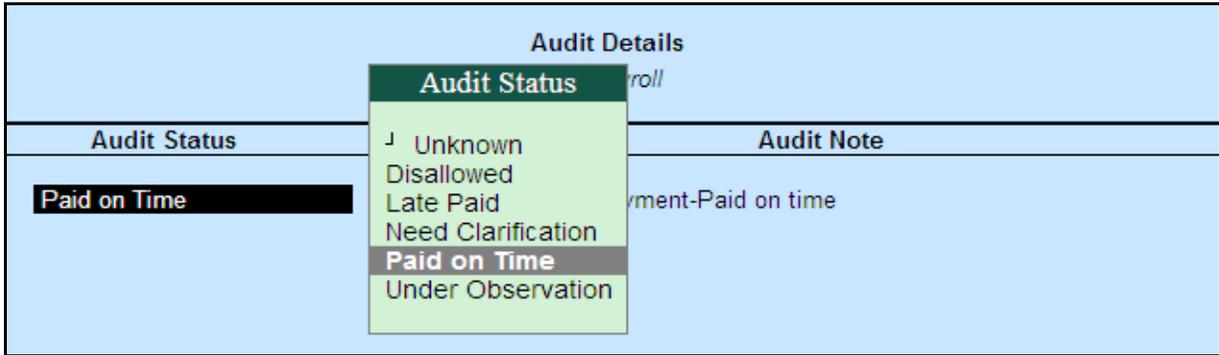


Figure 35. Audit Details with Audit Status and Audit Note



- i. You have to enable the **Payroll** option under **Statutory & Taxation of F11** in **Tally.ERP 9** to perform audit under this clause.
- ii. To audit a statutory deduction is remitted to the respective fund within time, execute these steps: **Tally MAIN->Gateway of Tally->Audit & Compliance->Tax Audit->Employer's Contribution->Payroll Monthly**

Similarly you can audit the employer's deductions under **Employees State Insurance** scheme and taxes payable under **Service Tax**, **Value Added Tax** and **Tax Collected at Source** and generate the required Annexures.

9. Click **Alt+P** to print the annexure to the clause

The **Annexure to Clause 16 and 21** report is enclosed.

Annexure to Clause 16 and 21 Bonus Payments									
Name and Address of the Assessee		Previous Year Ended : 31-Mar-2010							
Test Company 289, 80ft Road, 10th Block, Bangalore									
Annexure to Clause 16 and 21 Professional Tax Payments									
Name and Address of the Assessee		Previous Year Ended : 31-Mar-2010							
Test Company 289, 80ft Road, 10th Block, Bangalore									
Annexure to Clause 16 and 21 ESI Payments									
Name and Address of the Assessee		Previous Year Ended : 31-Mar-2010							
Test Company 289, 80ft Road, 10th Block, Bangalore									
Annexure to Clause 16 and 21 Provident Fund Payments									
Name and Address of the Assessee		Previous Year Ended : 31-Mar-2010							
Test Company		Assessment Year : 2010 - 11							
289, 80ft Road, 10th Block, Koramangala, Bangalore		PAN/TAN Number : EEENM16586							
Details of Provident Fund Payments									
Particulars	Contribution		Admin Charges	Other Charges	Total	Due On		Paid On	Remarks
	Employees	Employers				Employees	Employers		
April 2009	6,718.00	1,837.00	210.60		8,765.60	15-5-2009	15-5-2009	30-4-2009	
May 2009	8,511.00	3,171.00	303.30		11,985.30	15-6-2009	15-6-2009	31-5-2009	
June 2009	8,908.00	3,808.00	364.21		13,080.21	15-7-2009	15-7-2009	30-6-2009	
July 2009	9,008.00		375.10		9,383.10	15-8-2009	15-8-2009		
August 2009	9,042.00	941.00	368.06		10,351.06	15-9-2009	15-9-2009	31-8-2009	
September 2009	9,141.00	3,480.00	331.90		12,952.90	15-10-2009	15-10-2009	30-9-2009	
October 2009	9,139.00		329.77		9,468.77	15-11-2009	15-11-2009	31-10-2009	
November 2009	9,118.00	3,457.00	329.77		12,904.77	15-12-2009	15-12-2009	30-11-2009	
December 2009	8,910.00	3,326.00	317.60		12,553.60	15-1-2010	15-1-2010	31-12-2009	
January 2010	9,180.00	3,480.00	331.90		12,991.90	15-2-2010	15-2-2010	31-1-2010	
February 2010	9,064.00	3,480.00	331.90		12,875.90	15-3-2010	15-3-2010	28-2-2010	
March 2010	9,055.00	3,438.00			12,493.00	15-4-2010	15-4-2010	31-3-2010	
<b>Grand Total</b>	<b>1,05,794.00</b>	<b>30,418.00</b>	<b>3,594.11</b>		<b>1,39,806.11</b>				

Figure 36. Annexure to Clause 21

**Button menus available in the Employer's Contribution screen**



**F5: Masters:** Click this button or press **F5** display the **List of Pay Heads** screen.

**F6: Payment Summary:** Click this button or press **F6** to display the **Payments Summary** details relating to **Bonus, Employee State Insurance, Professional Tax** and **Provident Fund** for displaying the respective payment details.

**Alt+X: Exceptions:** Click this button or press **Alt** and **X** together to display only the exception details for audit. Click **Alt+X: All** to return to the earlier screen.

**F11: Features:** Click this button or press **F11** to view the **Tax Audit Rules** on the payment schedule for statutory deductions

**F12: Configure:** Click this button or press **F12** to define the configuration details for the display of details under the clause.

## Form 3CD

The assessee's whose accounts are to be audited under Sec44AB of the IT Act have to furnish a statement of particulars as required by the Income Tax Dept in Form 3CD.

The **Form 3CD** screen is displayed.

Clause No.	Particulars
1 - 6	Particulars of Assessee
7 (a & b)	Particulars of Members / Partners
8 (a & b)	Nature of Business or Profession
9 (a - c)	Books of Account
10	Presumptive Income
11 (a - d)	Method of Accounting
12 (a & b)	Valuation of Closing Stock
12 A (a - d)	Capital Asset converted into Stock-in-Trade
13 (a - e)	Items of Income not Credited to P&L Account
14 (a - f)	Particulars of Depreciation
15 (a - l)	Deduction Under Sections 35AB - 35E
16 (a & b)	Bonus, Commission, PF Recoveries, etc.
17 (a - m)	Details under Clause 17
17 A	Amount of Interest inadmissible Under Section 23 (MSME)
18	Payments made to 'Specified Persons'
19	Deemed Profits
20	Profits Chargeable Under Section 41
21 (A & B)	Payments Under Section 43B
22 (a & b)	CENVAT Credits & Prior Period Expenditure
23	Hundi Loans
24 (a - c)	Loans/Deposits
25 (a & b)	Brought Forward Loss / Depreciation
26	Deductions under Chapter VIA
27 (a & b)	Tax Deducted at Source
28 (a & b)	Quantitative Details

Figure 37. Form 3CD Annexures

The Auditors' Edition of Tally.ERP 9 provides a means to enter details for the clauses in the Form 3CD report. The supporting annexures are generated by executing the clauses discussed in the beginning of this document.

The report comes with user-friendly option to copy the content of the report from one financial year to another or from one company to another. There is also a facility to copy a single clause details from one company to another. Apart from these, you can also select text for quicker entry of details.

**Short cut buttons in the screen:**

**Ctrl + O: Copy From**-Click this button or click **Ctrl** and **O** together to copy the form details from another company or from another financial year.

The **Data Configuration** screen is displayed.

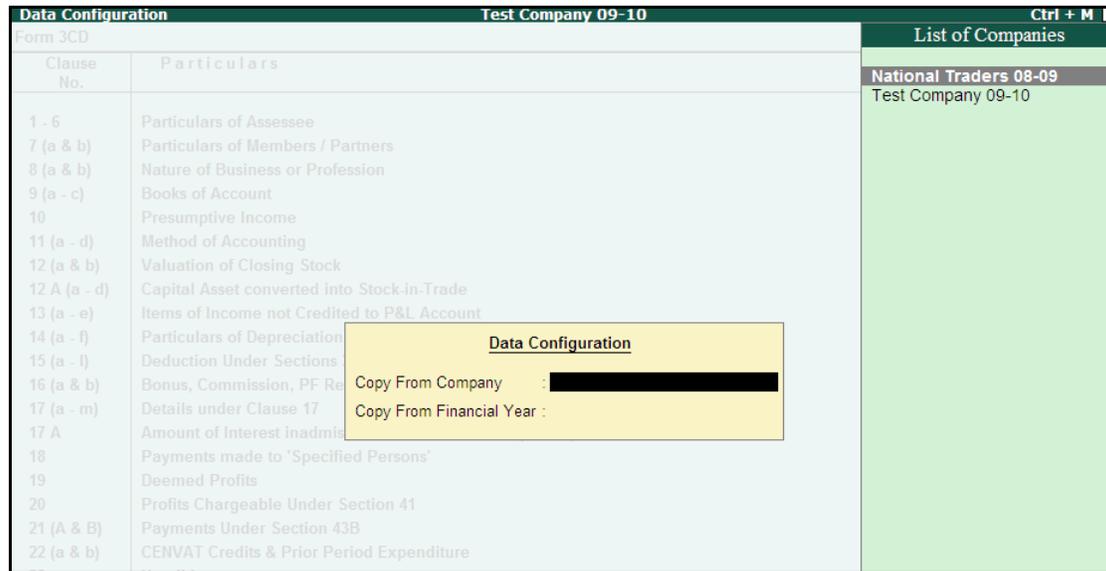


Figure 38. Data Configuration Screen - Copy of Form 3CD details from another Company/FY

*There is another option to copy clause wise details from another financial year or company.*



*Click **Alt + R: Copy From** button or click **Alt** and **R** together in the relevant clause to copy the details from another financial year or company to the current year/company in the **Data Configuration** screen.*

**Alt + T: Select Text:** Select any Tax Audit clause in the Form 3CD screen and press **Enter**.

The **Details of Books of Accounts** window in the **Details of Books of Accounts** screen is displayed.



Figure 39. Select Text Option- Form 3CD

Click this button or click **Alt** and **T** together and select the required text to be filled in the field.

The **Select Text** window in the **Select Item** screen is displayed.

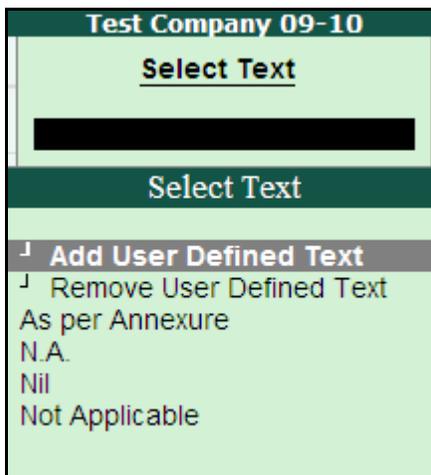


Figure 40. Selection of Text- Form 3CD

Select the required text or add a text for selection. There is an option to remove the user defined text.

## Printing of FORM NO. 3CD Report

Click **Alt + P:Print** to print the **FORM NO.3CD** report.

The **FORM NO. 3CD** report is generated.

FORM NO. 3CD	
[See rule 6G(2)]	
Statements of Particulars required to be furnished Under Section 44AB of the	
Income-Tax Act, 1961	
<b>PART A</b>	
1. Name of the Assessee	: Test Company
2. Address	: 289, 80ft Road, 10th Block, Koramangala, Bangalore 560068 Karnataka
3. Permanent Account Number	: EEENM16586
4. Status	:
5. Previous Year ended	: 31-Mar-2010
6. Assessment Year	: 2010 - 11
<b>PART B</b>	
7. (a) If firm or association of persons, indicate names of partners /members and thier profit sharing ratios	: As Per Annexure
(b) If there is any change in the partners or members or in their profit sharing ratio since the last date of the preceding year, the particulars of such change	: As Per Annexure
8. (a) Nature of business or profession (if more than one business or profession is carried on during the previous year, nature of every business or profession)	: Real Estate - builder developer
(b) If there is any change in the nature of business or profession, the particulars of such change	: There Is No Change
9. (a) Whether book of account are prescribed Under Section 44AA, if yes, list of books so prescribed	: Not Applicable
(b) Books of account maintained (In case books of account are maintained in a computer system, mention the books of account generated by such computer system)	: Cash Book - Bank Book - Ledger - Journal Register - Purchase Register - Sales Register (in General) in computerised system
(c) List of books of account examined	: Same As Above
10. Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant sections (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB or any other relevant section)	: The Profit and Loss Account Does Not Include Any Profits and Gains Assessable on Presumptive Basis.
11. (a) Method of accounting employed in the previous year	: Mercantile System
(b) Whether there has been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year	: No Change
(c) If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss	: N.A.
(d) Details of deviation, if any, in the method of accounting employed in the previous year from accounting standards prescribed Under Section 145 and the effect thereof on the profit or loss	: No Deviation
12. (a) Method of valuation of closing stock employed in the previous year	: Cost Or Market Value Whichever Is Lesser
(b) Details of deviation, if any, from the method of valuation prescribed Under Section 145A, and the effect thereof on the profit or loss	: Nil

continued ...

Figure 41. Form 3 CD Annexure

Name of the Assessee : <b>Test Company</b>		Assessment Year : <b>2010 - 11</b>
12A.	Give the following particulars of the capital asset converted into stock-in-trade	
	(a) Description of capital asset	: As Per Annexure
	(b) Date of acquisition	: 12-Jan-2009
	(c) Cost of acquisition	: N.A.
	(d) Amount at which the asset is converted into stock-in-trade	: N.A.
13.	Amounts not credited to the profit and loss account, being	
	(a) The items falling within the scope of section 28	: Nil
	(b) The proforma credits, drawbacks, refund of duty of customs or excise or service tax, or refund of sales tax or value added tax, where such credits, drawbacks or refunds are admitted as due by the authorities concerned	: Nil
	(c) Escalation claims accepted during the previous year	: N.A.
	(d) Any other item of income	: N.A.
	(e) Capital receipt, if any	: Not Applicable
14.	Particulars of depreciation allowable as per the Income-Tax Act, 1961 in respect of each asset or block of assets, as the case may be, in the following form	
	(a) Description of asset/block of assets	: As Per Annexure
	(b) Rate of depreciation	: 10%
	(c) Actual cost or written down value, as the case may be	: N.A.
	(d) Additions/deductions during the year with dates; in the case of any addition of an asset, date put to use; including adjustments on account of	: N.A.
	(i) Modified Value Added Tax credit claimed and allowed under the Central Excise Rules, 1944, in respect of assets acquired on or after 1st March, 1994	: As Per Annexure
	(ii) Change in rate of exchange of currency, and	: As Per Annexure
	(iii) Subsidy or grant or reimbursement, by whatever name called	: As Per Annexure
	(e) Depreciation allowable	: 256666
	(f) Written down value at the end of the year	: 3566664
15.	Amounts admissible Under Sections	
	(a) 33AB	: Nil
	(b) 33ABA	: Nil
	(c) 33AC (wherever applicable)	: Nil
	(d) 35	: Nil
	(e) 35ABB	: Nil
	(f) 35AC	: Nil
	(g) 35CCA	: Nil
	(h) 35CCB	: Nil
	(i) 35D	: 25666
	(j) 35DD	: Nil
	(k) 35DDA	: Nil
	(l) 35E	: Nil

continued ...

Figure 42. Form 3 CD Annexure

FORM NO. 3CD		Page 3
Name of the Assessee : <b>Test Company</b>		Assessment Year : <b>2010 - 11</b>
	(a) Debited to the profit and loss account (showing the amount debited and deduction allowable under each section separately)	: <b>NIL</b>
	(b) Not debited to the profit and loss account	: <b>NIL</b>
16.	(a) Any sum paid to an employee as bonus or commission for services rendered, where such sum was otherwise payable to him as profits or dividend, [Section 36(1)(ii)]	: <b>N.A.</b>
	(b) Any sum received from employees towards contributions to any provident fund or superannuation fund or any other fund mentioned in Section 2(24)(x); and due date for payment and the actual date of payment to the concerned authorities Under Section 36(1)(va)	: <b>Nil</b>
17.	Amounts debited to the profit and loss account, being	
	(a) Expenditure of capital nature	: <b>N.A.</b>
	(b) Expenditure of personal nature	: <b>No Personal Expenses Has Been Debited to P&amp;L Account</b>
	(c) Expenditure on advertisement in any souvenir, brochure, tract, pamphlet or the like, published by a political party	: <b>Nil</b>
	(d) Expenditure incurred at clubs	
	(i) As entrance fees and subscriptions	: <b>Nil</b>
	(ii) As cost for club services and facilities used	: <b>Nil</b>
	(e) (i) Expenditure by way of penalty or fine for violation of any law for the time being in force	: <b>N.A.</b>
	(ii) Any other penalty or fine	: <b>Nil</b>
	(iii) Expenditure incurred for any purpose which is an offence or which is prohibited by law	: <b>Nil</b>
	(f) Amounts inadmissible Under Section 40(a)	: <b>N.A.</b>
	(g) Interest, salary, bonus, commission or remuneration inadmissible Under Section 40(b)/40(ba) and computation thereof	: <b>Nil</b>
	(h) (A) Whether a certificate has been obtained from the assessee regarding payments relating to any expenditure covered Under Section 40A(3) that the payments were made by account payee cheques drawn on a bank or account payee bank draft, as the case may be	: <b>As Per Annexure</b>
	(B) Amount inadmissible Under Section 40A(3), read with rule 6DD [with break-up of inadmissible amounts]	: <b>N.A.</b>
	(i) Provision for payment of gratuity not allowable Under Section 40A(7)	: <b>As Per Annexure</b>
	(j) Any sum paid by the assessee as an employer not allowable Under Section 40A(9)	: <b>As Per Annexure</b>
	(k) Particulars of any liability of a contingent nature	: <b>As Per Annexure</b>
	(l) Amount of deduction inadmissible in terms of section 14A in respect of the expenditure incurred in relation to income which does not form part of the total income	: <b>Nil</b>
	(m) Amount inadmissible under the proviso to section 36(1)(iii)	: <b>Nil</b>
17 A.	Amount of interest inadmissible Under Section 23 of the Micro Small and Medium Enterprises Development Act, 2006	: <b>Nil</b>
18.	Particulars of payments made to persons specified Under Section 40A(2)(b)	: <b>Not Applicable</b>
19.	Amounts deemed to be profits and gains Under Section 33AB or 33ABA or 33AC	: <b>N.A.</b>

continued ...

Figure 43. Form 3 CD Annexure

## Form 3CA

This is an report that has to be furnished by an auditor who performs the statutory audit of the assessee's business or profession as required under any other law (other than the audit under Sec44AB). The auditor has to file the audited copies of final statements of profit & loss account, the balance sheet and annexure, to the IT Department in addition to the report under Form 3CD report.

The **Print Report** screen for generating **Form 3CA** is displayed.

Printing			
Printer	: Printer-05 (Work Station 161) (Net2:)	Paper Type	: A4
No. of Copies	: 1		
Print Language	: English		(Printing Dimensions)
Method	: Neat Mode	Paper Size	: (8.27" x 11.69") or (210 mm x 297 mm)
Page Range	: All	Print Area	: (7.95" x 11.34") or (202 mm x 288 mm)
Report Titles			
Form 3CA			
(with Print Preview)			
Without Company Phone No.			
Print with Signatures ? Yes			
Input Details		Others Details	
Annexed Statement	: profit and loss	Firm Name	: ABC & Co
Status	: INDIVIDUAL	FRN	: 3423432
Name of the Act (Under Audit):		Name of Chartered Accountant	: Ranganath
Report Date	:	Address	: Jayanagar 3rd Block, Bangalore
Place	: Bangalore	Salutation	: Partner
Date	: 30-Sep-2010	MRN	: 123213
			<b>Print ?</b>
			Yes or No

Figure 44. Form 3CA Print Report Screen

Accept the selections/entries for generating the report.

The **FORM NO. 3CA** report is displayed.

<b>FORM NO. 3CA</b>	
<small>[See rule 6G (1)(a)]</small>	
Audit report under section 44AB of the income -tax Act, 1961, in a case where the accounts of the business of a person have been audited under any other law.	
<p>I have to report that the statutory audit of <u>Test Company ,</u>  <u>289, 80ft Road,, 10th Block, Koramangala,, Bangalore,Karnataka - 560068 ,</u>            Permanent Account No. <u>EEENM16586 ,</u> was conducted by me <u>Ranganath</u>  <u>Jayanagar 3rd Block, Bangalore</u></p>	
<p>in pursuance of the provisions of the _____ Act, and I annex hereto a copy of my audit report dated _____ along with a copy of each of the audited profit and loss account for the year ended on <u>31-Mar-2010</u> and a copy of the audited balance sheet as <u>31-Mar-2010</u> along with the documents declared by the relevent Act to be part of or annexed to the profit and loss and balance sheet.</p>	
<p>A further report as required under provision to section 44AB is furnished in Form No. 3CD annexed hereto. In my opinion and to the best of my information and according to explanations given to me, the particulars given in Form No. 3CD and the annexure thereto are true and correct.</p>	
<p>For ABC &amp; Co            Chartered Accountants            FRN : 3423432            Address : Jayanagar 3rd Block, Bangalore</p>	
Place	: Bangalore
Date	: 30-Sep-2010
<p>Ranganath  <i>Partner</i>            MRN : 123213</p>	

Figure 45. Form No. 3CA Annexure

## Form 3CB

This is another audit report under Sec 44AB which applies to a person who carries on business or profession, but not being a person referred to in clause 1 (a) of Rule 6G.

**Note:** Clause 1 (a) of Rule 6G states:

(1) The report of audit of the accounts of a person required to be furnished under section 44AB shall,—

- a. in the case of a person who carries on business or profession and who is required by or under any other law to get his accounts audited, be in Form No. 3CA;

The **Print Report** screen for generating **Form 3CB** is displayed.

Printing			
Printer	: Printer-05 (Work Station 161) (Net2)	Paper Type	: A4
No. of Copies	: 1		
Print Language	: English		(Printing Dimensions)
Method	: Neat Mode	Paper Size	: (8.27" x 11.69") or (210 mm x 297 mm)
Page Range	: All	Print Area	: (7.95" x 11.34") or (202 mm x 288 mm)
Report Titles			
Form 3CB			
(with Print Preview) Without Company Phone No.			
Print with Signatures ? Yes			
Input Details		Others Details	
Annexed Statement	: profit and loss	Firm Name	: ABC & Co
Status	: INDIVIDUAL	FRN	: 3423432
Place	: Bangalore	Name of Chartered Accountant	: Ranganath
Date	: 30-Sep-2010	Address	: Jayanagar 3rd Block, Bangalore
Head Office Location	:	Salutation	: Partner
Number of Branches	:	MRN	: 123213
Observations (if any 3(a))	: Yes		
			Print ? Yes or No

Observations for Form 3CB
on business/profession but not being a person referred under Cl 1 (a) of Rule 6G.-

Figure 46. Form 3CB Print Report Screen

The auditor can add observations to the Form 3CB report generated by selecting **Yes** against **Observations (if any 3(a))** in the above image.

Accept the selections/entries for generating the report.

The **FORM NO. 3CB** report is displayed.

<b>FORM NO. 3CB</b>	
[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 the rule 6G	
<p>I have examined the balance sheet as at 31st March, <u>2010</u> and the profit and loss for the year ended on that date attached herewith, of <u>Test Company,</u>  <u>289, 80ft Road,, 10th Block, Koramangala,, Bangalore,Karnataka - 560068 ,</u>            Permanent Account No. <u>EEENM16586,</u></p>	
<p>2. I certify that the balance sheet and the profit and loss account are in agreement with the books of account maintained at the head office at <u>  </u> and <u>  </u> branches</p>	
<p>3. (a) I report the following observations/comments/discrepancies/inconcistencies; if any :</p> <div style="border: 1px solid red; padding: 5px; margin: 5px 0;"> <p>This is an audit report under Sec44AB applying to a person who carries on business/profession but not being a person referred under Cl 1 (a) of Rule 6G.</p> </div>	
<p>4. The statement of particulars required to be furnished under section 44AB is annexed herewith Form No. 3CD.</p>	
<p>5. In my information and according to explanations given to me, the particulars given in the said Form No. 3CD and the annexure thereto are true and correct.</p>	
<p>(b) Subject to above -</p> <p>(A) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.</p> <p>(B) In my opinion proper books of account have been kept by the head office and branches of the assessee so far as appears from my examination of the books.</p> <p>(C) In my opinion and to the best of my information and according to the explanations given to me, the said accounts, read with notes thereon, if any, give a true and fair view :-</p> <p>(i) in the case of the balance sheet of the state of the affairs of the assessee at 31st March 2010 and</p> <p>(ii) in the case of the profit and loss account, of the profit/loss of the assessee for the year ended on that date.</p>	
<p>For ABC &amp; Co            Chartered Accountants            FRN : 3423432            Address : Jayanagar 3rd Block, Bangalore</p>	
Place	: Bangalore
Date	: 30-Sep-2010
<p>Ranganath            Partner            MRN : 123213</p>	

Figure 47. Form No. 3CB Annexure

### **Tax Audit Checklist:**

As an Auditor performing the Tax Audit, you have to ensure the minimum requirements for the conducting an efficient and complete audit.

- To ensure the audit is conducted efficiently, ensure you get the updated/latest data
- Plan the audit and the extent of scrutiny based on the nature and operation of business
- Collect details relating to the assessee on:
  - Partners/Directors
  - Branch/Division
  - Related Party
  - Maintenance of Books of Accounts
  - Methods of Accounting
  - Valuation of closing stock
  - Quantitative details of stock traded
  - Admissible expenses
  - Amounts debited to P&L A/c
  - Particulars of Loans & Deposits accepted and repaid
  - Accounting ratios

For assistance on the product, contact the Help Line Telephone: 1-800-258-2559

Support Hours: 9.30am to 6.30pm IST (GMT +5:30 hrs)





