

Practical Aspects of Tax Audit



ICAI – Patna Branch (CIRC)

21st August 2026



CA. PRAMOD JAIN

FCA, FCS, FCMA, LL.B, MIMA, DISA, IP

Legislation for AY 2026-27

S. 44AB

- Business – exceeds Rs. 1 Cr. / 10 Cr
- Profession – exceeds Rs. 50 L
- Business u/s 44AE / 44BB / 44BBB; income < deemed profit
- Profession u/s 44ADA; deemed profit < 50% and TI > MANCT
- Business u/s 44AD(4) and TI > MANCT

Rule 6G

- Prescribing the Forms for Report u/s 44AB

Form 3CA

- Report in case of a person who is required to get his A/cs audited under any law

Form 3CB

- Report in any other case

Form 3CD

- Particulars as required in Form 3CA or Form 3CB

S. 271B

- Penalty $\frac{1}{2}\%$ Maximum Rs. 1.50 L

Applicability of 44AD(44ADA) /44AB

**Mr.A started Mfg – 1st Yr - Turnover (all cash) – 150L;
NP – 8 L; TI - 8.50 L**

- AD - No
- AB - Yes

**Ms. B - Trading - Turnover (all cash) – 90L; NP - 10L;
Doctor– Fee – 45 L; NP- 25 L; TI -32L**

- AD – No
- ADA - Yes
- AB - No

**Ms. C – Trading Turnover (all cash)– 80L; NP – 5 L;
TI- 5 L**

- AD – No
- AB - No

**Mr. D - Trading; Turnover (all cash) - 95L; Profit 9
Lacs; Commission – 6 L; NP- 15L; TI - 14L**

- AD - No
- AB - Yes

Applicability of 44AD(44ADA) /44AB

**Mr. E - Turnover (all bank) – AY 2025-26 - 150L availed
S. 44AD; AY 2026-27 – Tr 225 L (all bank) NP – 10 L; TI
- 8.50 L**

- AD - No
- AB - Yes

**Ms. F - Turnover in 1st year (all cash) – AY 2025-26 - 120L;
NP - 10L; No 44AD; Turnover (all bank) AY 2026-27 –
220L; NP – 20 L – 44AD!!**

- AD - Yes
- AB - No

Ms. G - CA Turnover (all Bank)– 60L NP – 35 L; TI- 32 L

- ADA – Yes
- AB - No

Mr. H – CA Turnover – 25 L; NP– 11.50 L ; TI- 11.50 L

- ADA – No
- AB - Yes

Applicability of 44AB – Spl. cases

Mr. I – Salaried Employee - 15 lacs; F&O Turnover 8 Lacs, Net Loss from F&O - 3 Lacs; TI - 12 Lacs

• No

Ms. J – Profession – 80 L; Business – 70 L

• Yes, B & P

M/s K Inc – Non- Resident, FTS 12 Crs.; TDS u/s 195, DTAA

• Yes

CA. L – Remuneration 90 L from firm in which partner

• No, Perizad Zorabian Irani v. PCIT Mumbai WP 1333/2021 Bombay HC

Section 44AD essentials

- **Should be eligible assessee**
 - **Ind., HUF, Firm (except LLP); and**
 - **No s. 10A, 10AA, 10B, 10BA & Chp VIA Part C**
- **Should be doing eligible business**
 - **Any except 44AE; and**
 - **Turnover < 2 Crs / 3 crs**
- **Section not applicable to a person carrying:**
 - **Profession u/s 44AA(I)**
 - **Commission or brokerage**
 - **Agency business**
- **Deemed profit 8% / 6% or more**
- **Commensurate with fund flow!!!**

PRESUMPTIVE TAXATION AMENDMENT FROM AY 2024-25

- **S. 44AD**

- **2 Cr to 3 Cr, if aggregate of amounts received during PY in cash do not exceed 5% of total turnover or gross receipts**

- **S. 44ADA**

- **50 L to 75 L – same basis**

- **S. 44AB – 1st Proviso – s. 44AD / ADA excluded**

Section 44ADA essentials

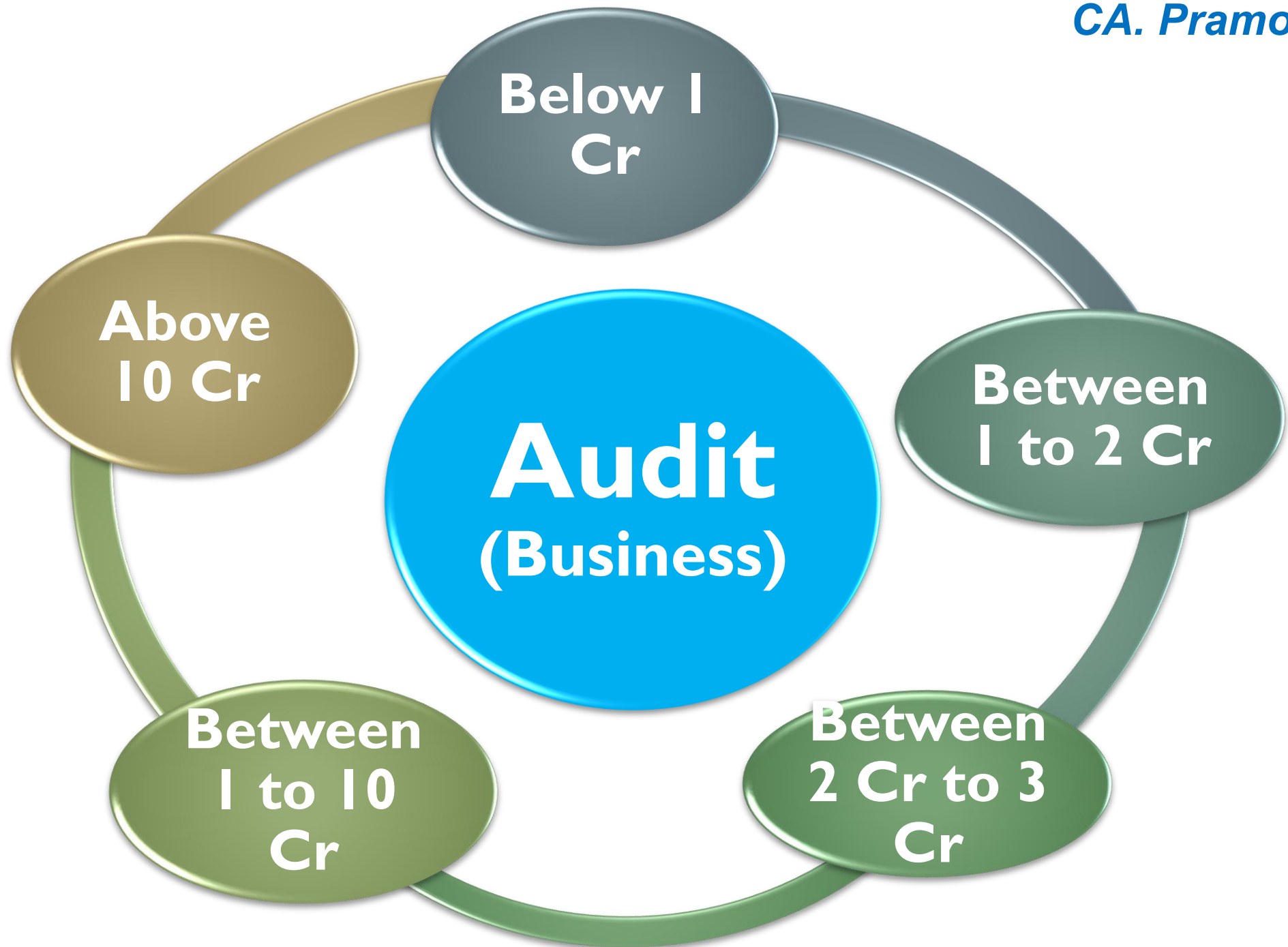
- Applicable to Individual, ~~HUF~~, Firm (excluding LLP)
- Should be engaged in profession – section 44AA(I) read with rule 6F
- Gross receipt < 50 Lakhs / 75 Lakhs
- Deemed profit 50% or more
- Commensurate with fund flow!!!

Profession – s. 44ADA

- **Section 44AA (I) read with Rule 6F**
 - **Legal**
 - **Medical**
 - **Engineering**
 - **Architectural**
 - **Accountancy**
 - **Technical Consultancy**
 - **Interior Decoration**
 - **Authorised Representative**
 - **Company Secretary**
 - **Film Artist, actors, cameramen, editor.....**
 - **Information Technology**

44AB(a) ???

- **Payments all by banking channels**
- **Receipts:**
 - **6 Crs sales out of which 20 Lacs in Cash**
 - **Proprietor introduces capital – 25 Lacs in cash**
 - **Loans received– 50 Lacs by NEFT**
 - **Is tax audit u/s 44AB required?**
 - **Yes, as total receipts - 675 L ; cash – 45L**
- **Is it mandatory or optional??**
 - **Mandatory - Part I (I) of 2nd schedule**
- **Non -A/c Payee Cheque/ Draft - Cash**



???

- **Are Financial Statements Audited during Tax audit of Prop. Partnership?**
- **Are Notes to accounts prepared for Non-Corporates?**
- **Are Accounting Standards applicable to Non-corporates?**
- **What if there is non-compliance?**
- **Where to Report such non-compliance?**

AS Applicability for Non-Companies

- Effective for Accounting Periods **from 1.4.2024**. Instead of 4 levels.. Now 2 levels :
 - Large
 - Micro, Small and Medium Sized Entity (MSME)

LEVEL	TURNOVER (in immediately Preceding FY)			BORROWING (in immediately Preceding FY)	
	Existing	Revised		Existing	Revised
I Large	> 250 Cr	> 250 Cr		> 50 Cr	> 50 Cr
II MSME	50-250 Cr	≤ 250 Cr		10-50 Cr	≤ 50 Cr
III	10-50Cr	NA		2-10Cr	NA
IV	< 10 Cr	NA		< 2 Cr	NA

MSME Disclosure

Non-Corporate

- **“The Entity is a Micro Small and Medium Sized Entity (MSME) as per the announcement made by ICAI and has complied with the Accounting Standards insofar as they are applicable to an MSME.”**
- **Two year wait period if change from Large to MSME.**

AS Applicability

AS No.	Short Title	Companies		Non - Companies	
		Non-SMC	SMC	Large	MSME
1	Disclosure of Accounting Policies	Y	Y	Y	Y
2	Valuation of Inventories	Y	Y	Y	Y
3	Cash Flow Statements	Y	N/Y	Y	N
4	Events after Balance Sheet date	Y	Y	Y	Y
5	Prior Period Items & Changes in Policies	Y	Y	Y	Y
6	Depreciation (Omitted 30.3.16)	NA	NA	NA	NA
7	Construction Contracts	Y	Y	Y	Y
9	Revenue Recognition	Y	Y	Y	Y
10	Property, Plant & Equipment	Y	Y	Y	Partly
11	Changes in Foreign Exchange Rates	Y	Y	Y	Partly
12	Accounting for Government Grants	Y	Y	Y	Y
13	Accounting for Investments	Y	Y	Y	Y
14	Accounting for Amalgamations	Y	Y	Y	N
15	Employee Benefits	Y	Partly	Y	Partly

AS Applicability

CA. Pramod Jain

AS No.	Short Title	Companies		Non - Companies	
		Non-SMC	SMC	Large	MSME
16	Borrowing Cost	Y	Y	Y	Y
17	Segment Reporting	Y	N	Y	N
18	Related Party Disclosures*	Y	Y	Y	N*
19	Leases	Y	Partly	Y	Partly
20	Earning Per Share	Y	Partly	N	N
21	Consolidated Financial Statements	N/Y	N/Y	(listed)	N
22	Accounting for Taxes on Income	Y	Y	Y	Partly
23	Accounting for Associates in CFS	N/Y	N/Y	(listed)	N
24	Discontinuing Operations	Y	Y	Y	N
25	Interim Financial Reporting	Y (listed)	N**	N**	N
26	Intangible Assets	Y	Y	Y	Partly
27	Interest in Joint Ventures	N/Y	N/Y	(listed)	N
28	Impairment of Assets*	Y	Partly	Y	N*
29	Provisions, Contingent Liab. & Assets	Y	Partly	Y	Partly

AS Relaxations for MSME

AS 10	<i>Property, Plant and Equipment</i>	May not comply with paragraph 87 relating to encouraged disclosures.
AS 11	<i>The Effects of Changes in Foreign Exchange Rates</i>	May not comply with paragraph 44 relating to encouraged disclosures.
AS 15	<i>Employee Benefits</i>	Paragraph 11 to 16, paragraphs 46 and 139, paragraphs 50 to 116, paragraphs 117 to 123, paragraphs 129 to 131. Discounting not required. Actuarial valuation not mandatory. Instead of following PUCM these entities can follow any other rational method to calculate and account for accrued liability - on assumption that such benefits are payable to all employees at the end of accounting year
AS 19	<i>Leases</i>	May not comply with paragraph 22 (c), (e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e).

AS Relaxations for MSME

AS 22	<i>Accounting for Taxes on Income</i>	To comply with current tax related provisions only. Transitional - the accumulated deferred tax asset/liability appearing in FS of immediate previous accounting period, shall be adjusted against the opening revenue reserves / owner's funds
AS 26	<i>Intangible Assets</i>	May not comply with paragraphs 90(d)(iii), 90(d)(iv) and 98
AS 28	<i>Impairment of Assets</i>	Allowed to measure value in use on basis of reasonable estimate instead of PV technique and hence, may not comply with paragraph 121 (g). May not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123.
AS 29	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	May not comply with paragraphs 66 and 67

AS 18 & AS 28

- **AS 18 (Related Party)**
- **AS 28 (Impairment)**
- **Applicable if :**
 - **Turnover (excluding other income) exceeds Rs. 50 crore in the immediately preceding accounting year; or**
 - **Have borrowings in excess of Rs. 10 crore at any time during the immediately preceding accounting year**

Financial Statements Formats by ICAI

Non-Corporates

LLPs

NPOs

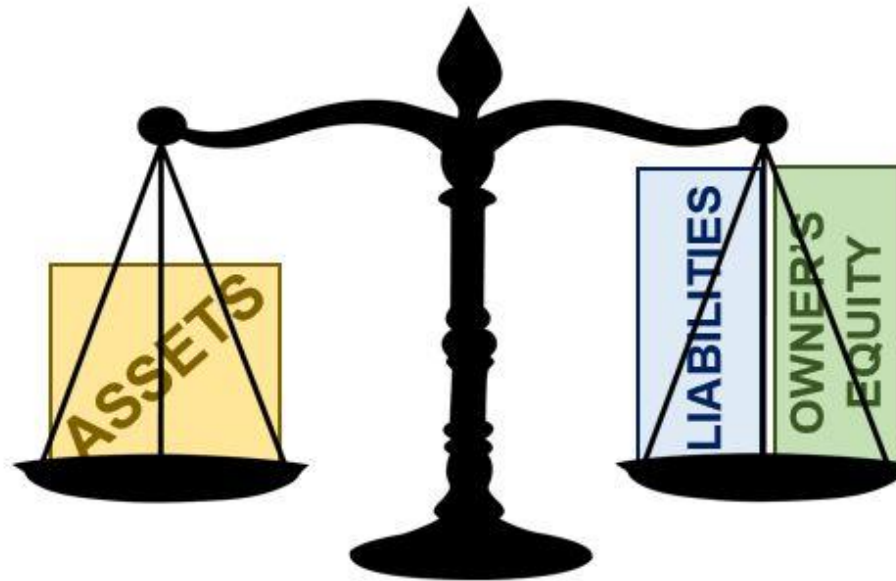
Formats of Financial Statements for Non-corporate Entities

Proprietorship

Partnership

LLP

Balance Sheet



It has to balance

Name of the Non-Corporate Entity

Balance Sheet as at

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	1	2	3	4
I.	OWNERS' FUND AND LIABILITIES			
	(1) Owners' Fund			
	(a) Owners Capital Account			
	(b) Reserves and surplus			
(2)	Non-current liabilities			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			

Balance Sheet Items

Owner's Fund

(Amount in Rs. XX)				
	Particulars	Note No	31 March 20XX	31 March 20XX
I	OWNERS' FUNDS AND LIABILITIES			
1.	Owners' Funds			
(a)	Owners' Capital Account		-	-
	(i) Owners'/Partners' Capital Account ⁴	3a		
	(ii) Owners'/Partners' Current Account ⁴	3b		

Owner's Capital Account A/c

Note - 3 Owners' Capital Account

(Amount in Rs.)									
Sr. No.	Name of Partner/ Proprietor/ Owner	Share of profit/ (loss) (%)	As at 1st April 20XX (Opening Balance)	Capital Introduced/cont ributed during the year	Remuneration for the year	Interest for the year	Withdrawals during the year	Share of Profit / Loss for the year	As at 31st March 20XX (Closing Balance)
1									-
			-	-	-	-	-	-	-
Previous Year (PY)			-	-	-	-	-	-	-

- In case of a prop, it should be sufficient to give the movement as
 - Opening balance
 - Add: Contribution
 - Add/ less : Profit / loss
 - less Withdrawals (No harm if you need to segregate withdrawals like for tax/ insurances etc)

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(c) Other Long Term Liabilities			
	Long-term provisions			
(3)	Current liabilities			
	(a) Short-term borrowings			
	(b) Trade payables			
	(c) Other current liabilities			
	(d) Short-term provisions			
	TOTAL			
II.	ASSETS			
(1)	Non-Current Assets			
	(a) Property, Plant and Equipment & Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			

Current Liabilities

			(Amount in Rs.)	
			31 March 20XX	31 March 20XX
3	Current liabilities			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables			
(i)	Total outstanding dues of micro, small and medium enterprises	9	-	-
(ii)	Total outstanding dues of creditors other than micro, small and medium enterprises	9	-	-
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
			-	-
	Total		-	-

Other Current Liabilities

		(Amount in Rs.)	
		31 March 20XX	31 March 20XX
10	Other current liabilities		
(a)	Current maturities of finance lease obligations (Refer note XX)	-	-
(b)	Interest accrued but not due on borrowings	-	-
(c)	Interest accrued and due on borrowings	-	-
(d)	Income received in advance	-	-
(e)	Unearned revenue	-	-
(f)	Goods and Service tax payable	-	-
(g)	TDS payable	-	-
(h)	Other payables (specify nature)	-	-
	Total Other current liabilities	-	-

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(iii) Capital work-in-progress			
	(iv) Intangible assets under development			
	(b) Non-current investment			
	(c) Deferred tax assets (net)			
	(d) Long-term loans and advances			
	(e) Other non-current assets			
(2)	Current assets			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and bank balances			
	(e) Short-term loans and advances			
	(f) Other current assets			
	TOTAL			

Current Assets

2			(Amount in Rs.)	
			31 March 20XX	31 March 20XX
	Current assets			
(a)	Current investments	12	-	-
(b)	Inventories	15	-	-
(c)	Trade receivables	16	-	-
(d)	Cash and bank balances	17	-	-
(e)	Short Term Loans and Advances	13	-	-
(f)	Other current assets	18	-	-
			-	-
	Total		-	-

Inventories

15	Inventories	31-March-20XX	31-March-20XX
(a)	Raw materials	-	-
(b)	Work-in-progress	-	-
(c)	Finished goods	-	-
(d)	Stock-in-trade	-	-
(e)	Stores and spares	-	-
(f)	Loose Tools	-	-
(g)	Others (Specify nature)	-	-
	Total	-	-

Other Important Disclosures

- **In case of secured loans, disclose:**
 - **Nature of security**
 - **Terms of repayment**
 - **Where loans guaranteed by owners, details thereof**
- **Details as per section 22 of MSMED Act 2006**
- **PPE schedule for previous year too**
- **Trade Receivables – more than 6 months, less than 6 months – good / doubtful**

Applicability of GN

The Accounting Standards Board has now prescribed the formats for the presentation of the financial statements of Non-corporate Entities in the form of Guidance Note, which were earlier issued as a part of Technical Guide. The objective is to standardise the formats of financial statements for these entities and to enhance the quality and comprehensiveness of the financial reporting by these entities.

This Guidance Note is relevant for the purpose of preparation of the financial statements of the above mentioned Non-Corporate Entities unless any formats/principles are specifically prescribed by the relevant Statute or Regulator or any Authority, e.g., formats have been prescribed for Trusts under Maharashtra Public Trust Rules, 1951, Autonomous Bodies under Government of India are required to compile their accounts in a uniform format of accounts as prescribed by Government of India, Ministry of Finance, Guidance has been specifically given by ICAI (e.g., Educational Institutions, Political Parties, NPOs, etc.).

STATEMENT OF PROFIT AND LOSS



Name of the Non-Corporate Entity.....
Statement of Profit and loss for the year ended
(Rupees in.....)

	Particulars	Note	Figures for the current reporting period From ____ To _____	Figures for the previous reporting period From____ To_____
	1	2	3	4
I.	Revenue from operations		xxx	Xxx
II.	Other income		xxx	Xxx
III.	Total Income (I + II)		xxx	Xxx
IV.	Expenses			
(a)	Cost of Material Consumed		xxx	xxx
(b)	Purchases of Stock-in trade		xxx	xxx
(c)	Changes in Inventories of Finished goods, WIP & Stock in trade		xxx	xxx
(d)	Employee benefits expense		xxx	Xxx
(e)	Depreciation and amortization expense		xxx	Xxx
(f)	Finance Cost		xxx	Xxx
(g)	Other expenses		xxx	xxx

Revenue from Operations

		(Amount in Rs.)	
19	Revenue from operations	31 March 20XX	31 March 20XX
(a)	Sale of products	-	-
(b)	Sale of services	-	-
(c)	Grants or donations received	-	-
(d)	Other operating revenue	-	-
	Revenue from operations (Gross)	-	-
	Less: Excise duty	-	-
	Revenue from operations (Net)	-	-

Other Income

		(Amount in Rs.)	
20	Other income	31 March 20XX	31 March 20XX
(a)	Interest income	-	-
(b)	Dividend income	-	-
(c)	Net gain on sale of investments	-	-
(d)	Other non-operating income (Please specify)	-	-
	Total other income	-	-

Partner's Interest

3. Finance Costs

Finance costs shall be classified as:

- (a) Interest expense (other than interest on partners'/members' capital);
- (b) Interest on partners'/members' capital;
- (c) Other borrowing costs;
- (d) Applicable net gain/loss on foreign currency transactions and translation.

	Particulars	Note	Figures for the current reporting period (in Rs.) From ____ To ____	Figures for the previous reporting period (in rs.) From ____ To ____
	Total expenses		xxx	xxx
V	Profit before exceptional and extraordinary items, partner's remuneration & tax (III-IV)		xxx	xxx
VI	Exceptional items		xxx	xxx
VII	Profit before extraordinary items, partner's remuneration and tax (V - VI)		xxx	xxx
VIII	Extraordinary Items		xxx	xxx
IX	Profit before partner's remuneration & tax (VII- VIII)		xxx	xxx
X	Partner's Remuneration			
XI	Profit before Tax (IX-X)			
XII	Tax expense:			
(i)	Current tax		xxx	xxx
(ii)	Excess / Short provision of tax related to earlier years			
(iii)	Deferred tax		xxx	xxx
XIII	Profit (Loss) for the period from continuing operations (XI-XII)		xxx	xxx
XIV	Profit/(loss) from discontinuing operations		xxx	xxx
XV	Tax expense of discontinuing operations		xxx	xxx
XVI	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XVII	Profit/ (Loss) (XI + XIV)		xxx	xxx

Previous Year Figures

- Framework for preparation and presentation of financial statements
- SA 710 – Comparative Information – Corresponding Figures and Comparative Financial Statements
- To state in Other matter:
 - Para 17 - If the financial statements of the prior period were audited by a predecessor auditor.
 - Para 19 - If the prior period financial statements were not audited.

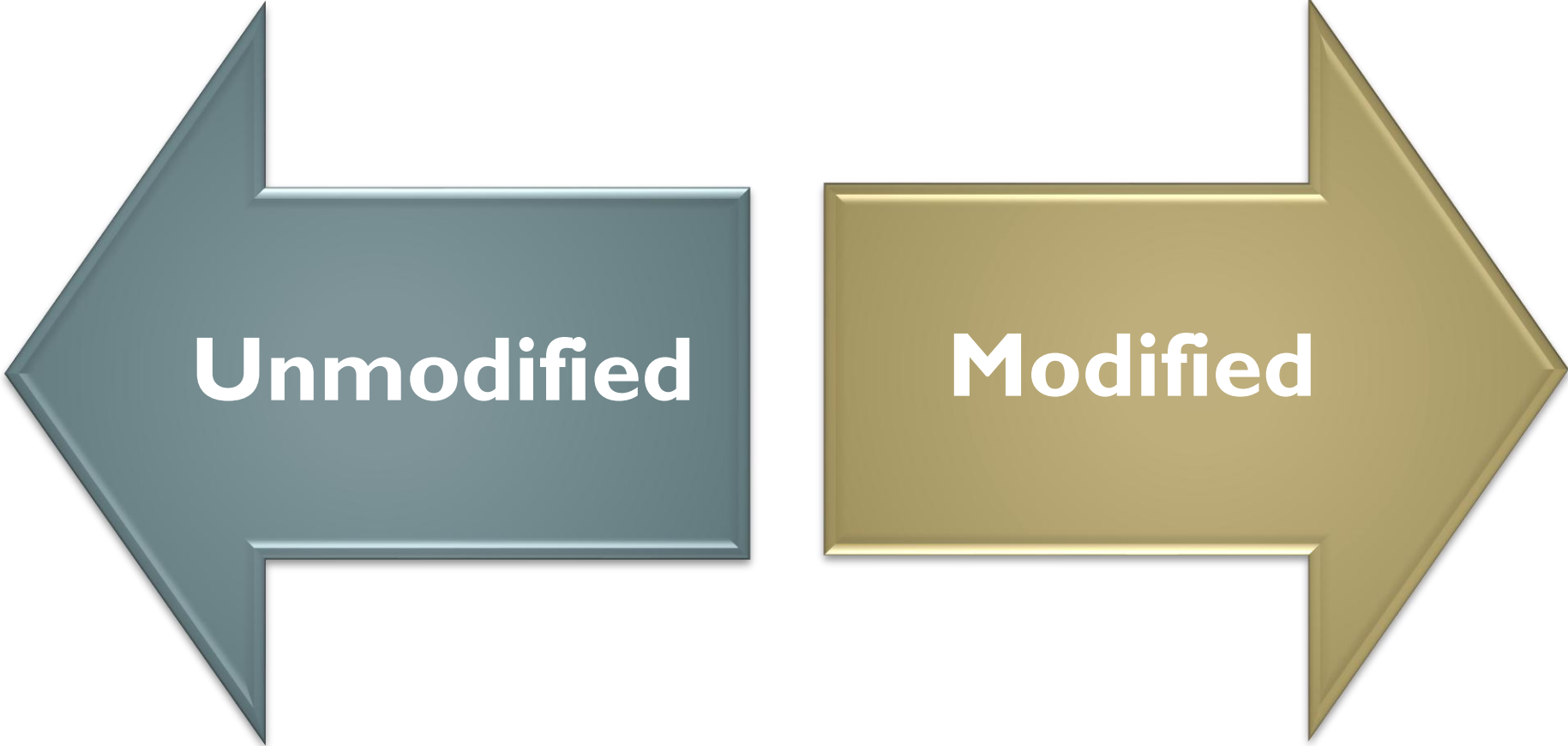
AUDIT



True and Fair View



Types of Audit Reports

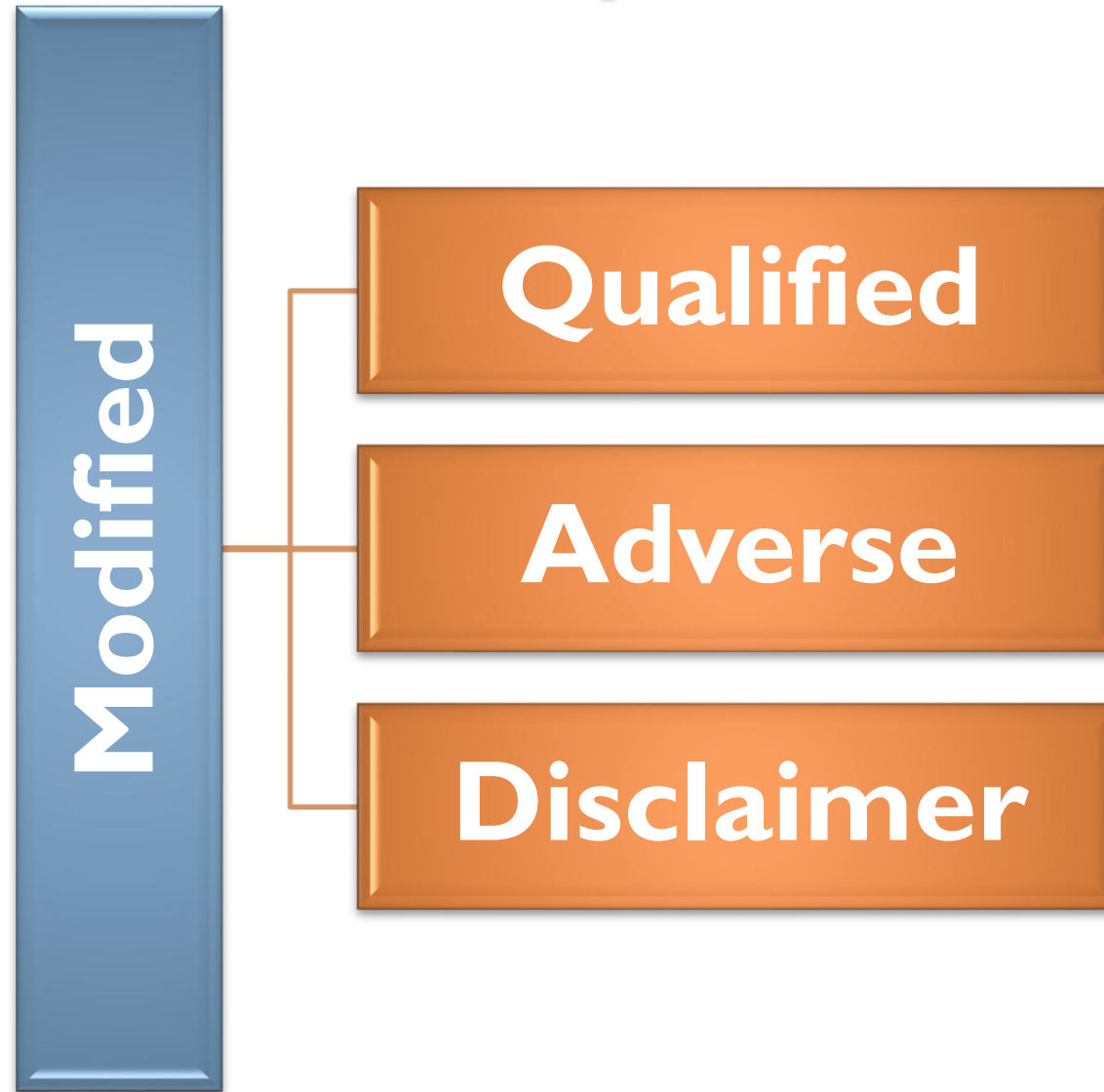


The diagram consists of two large, stylized arrows pointing in opposite directions. The left arrow is dark blue and points to the left, containing the word 'Unmodified'. The right arrow is gold and points to the right, containing the word 'Modified'. Both arrows have a 3D effect with a shadow.

Unmodified

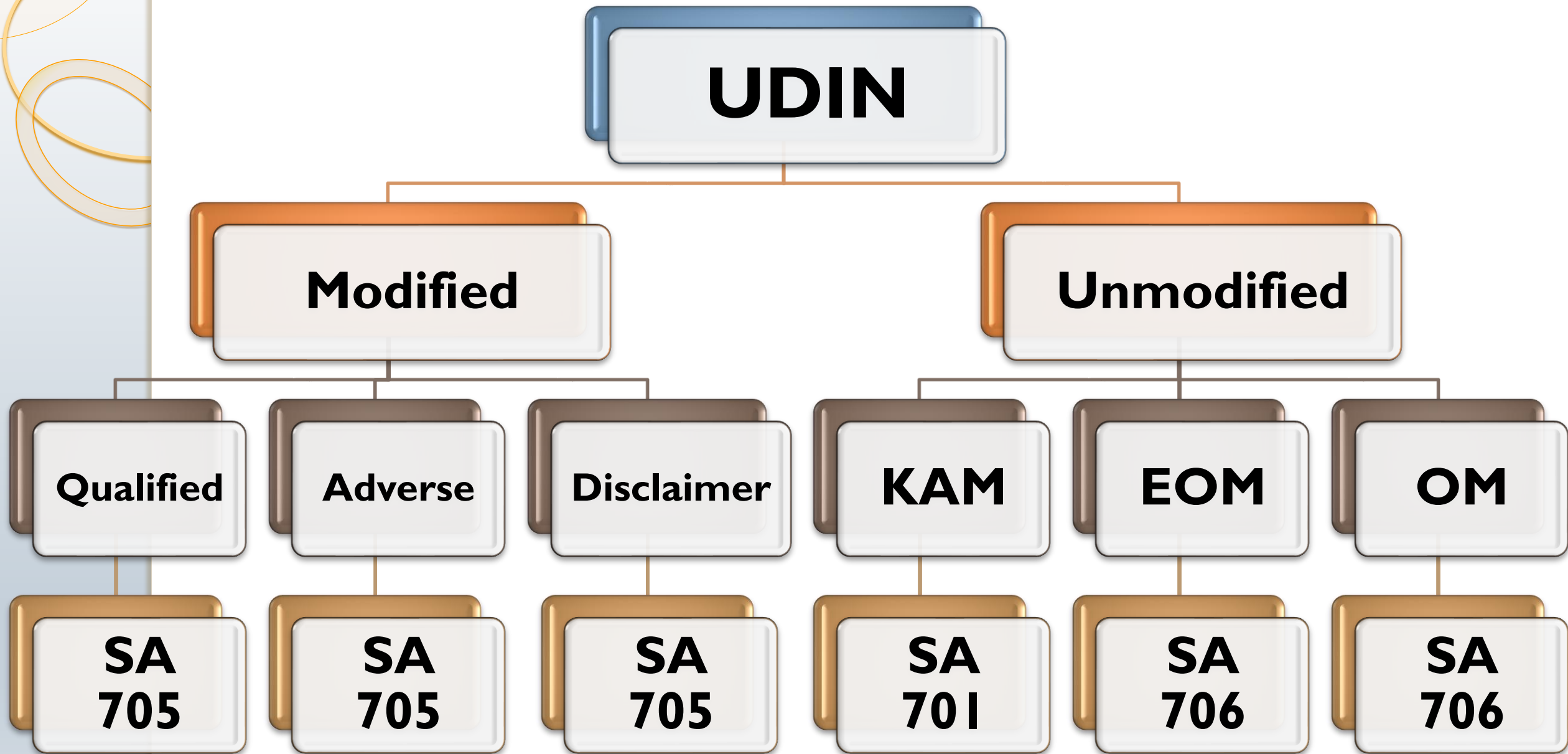
Modified

Modified Audit Reports



Modified Audit Reports

	Auditor's judgment about Pervasiveness of the matter	
Nature of Matter	Material but NOT Pervasive	Material AND Pervasive
Financial statements are Materially misstated	Qualified Opinion (...except for...)	Adverse Opinion (...do not present true & fair...)
Unable to obtain Sufficient Appropriate Audit Evidence	Qualified Opinion (...except for...)	Disclaimer of Opinion (...we do not express an opinion...)



Tool For Audit Opinion Formation

The TOOL guides the auditor through opinion formation (Unmodified / Qualified / Adverse / Disclaimer) for standalone audits under Ind AS or AS – the tool auto-derives the opinion in Section 4.

WORKBOOK STRUCTURE

COVER

- ICAI title & Disclaimer. No entries to be done here.

INDEX & PREREQUISITE

- Enter engagement detail, Key materiality thresholds and Going Concern pathway

S0- TCWG

- Record SA 330 completion, TCWG communication, Prior period opinion, fraud indicators and Written representations.

S1- SCOPE

- Assess scope limitations

S2- MISSTATEMENTS

- Compliance check, evaluate quantitative and qualitative misstatements track and basis for modified opinion.

S3- EOM/OM

- EOM/OM para is auto derived from the index sheet and others are marked based on audit findings.

S4- CONCLUSION

- Auto derived opinion, rationale, gate status and complete engagement partner/EQR sign-off applicability.

COLOUR CODE

- **Blue Text** – Auto-derived cells (Do not overwrite)
- **Yellow Cells** – User input required
- **Black Text** – Enter basis / working paper references
- **Active Status** – Questions requiring response
- **Read/salmon fill** – Materiality cells. Turns red if cell is blank/zero/non-numeric or if required order of materiality threshold is violated.

GOLDEN RULES

- ☑ Complete the **Index sheet** and **clear the prerequisite gate** before proceeding.
- ☑ Follow the sheets in sequence (S0 → S1 → S2 → S3 → S4), as each depends on the previous one.
- ☑ Record the **basis and supporting working paper references** for every **Yes/No** response.
- ☑ Answer all **Active** questions; skip those marked N/A.
- ☑ Enter data only in **unlocked input cells**; WB is protected so that formulas cannot be changed.
- ☑ Designed for **standalone audits**; document SA 600 (Group Audit) matters separately.
- ☑ **Key Audit Matters (SA 701)** are outside the tool's scope and should be evaluated independently.

DO NOT

- ☒ Modify auto-derived (blue) cells.
- ☒ Treat the tool as a substitute for audit documentation or detailed WPs or audit report itself.
- ☒ Skip documenting the basis for responses.
- ☒ Sign off while any clearance gate remains blocked or pending.



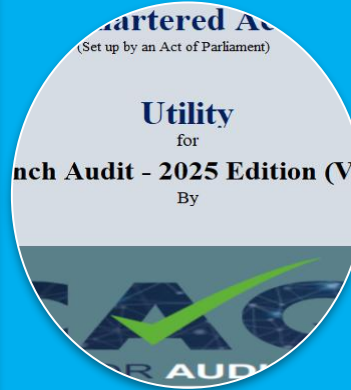
Utility on Engagement Letters



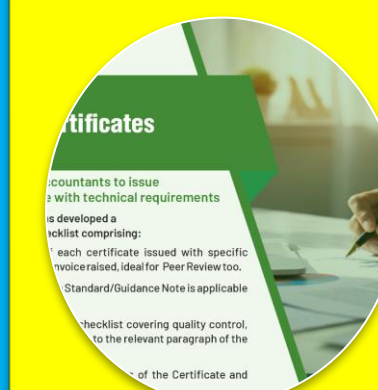
Utility for Determining Materiality



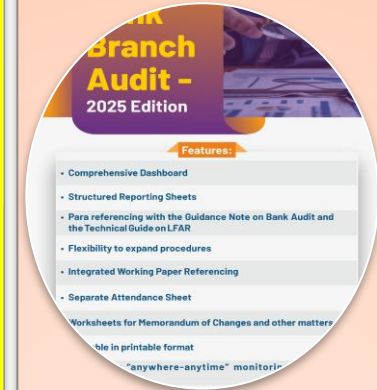
Review & Monitoring Tool for Standards on Auditing Compliance



Utility for self-evaluation under AQMM v 2.0



Checklist for Certificates



Utility for Bank Branch Audit- 2026 Edition

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Tax (GST)

(12,363)

Income Tax

(11,748)

Corporate
Matters/LLP

(3,439)

Audit and Accounting

Recent Questions

Question added **1 hour** ago [Corporate Matters/LLP](#) By [ANAND SINGH](#), CA, NEW DELHI

1

answer

5 views

Q. can a defense non public fund apply for CSR-1as they dont have 80G and 12A registration under income tax act

Answered By [CA PRAMOD JAIN](#)

Question added **5 hours** ago [Income Tax](#) By [CA DEVENDER SAINI](#), CA, CHANDNI CHOWK

Ask a question:

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[CA Pramod Jain](#)

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since year 2007

Thank You!



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