Issue 19 • April 2013

INDIA BRIEFING

From Dezan Shira & Associates

An Introduction to Audit in India

- An Introduction to Audit in India for Non-Auditors
- Annual Audit for Manufacturing Entities
- India Tax Overview for Foreign Entities
- Conducting Inventory Audits in India

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Introduction

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Dear Readers and Clients;

To coincide with the commencement of India's annual audit season, this issue of India Briefing Magazine provides an overview of Indian audit procedures for the non-audit foreign executive based in India, as well as for the CFO at the head office who may not be familiar with India's specific audit regulations and accounting standards. We aim to highlight some of the key areas for both levels of international executives responsible for their Indian businesses.

Also in this issue, we examine how India's accounting standards differ from the globally accepted IFRS and IAS protocols, and why it is important to be aware of such discrepancies. We also outline the standard steps and procedures an Indian auditor will go through during the audit process and explain pre-audit preparations that can be carried out to make the process easier to follow and understand for foreign executives. Such preparations will also help the auditor conduct the necessary audit work in a straightforward and efficient manner with clear results that can be used as part of an internal health-check for the company.

This issue of India Briefing was completed with the assistance of Dezan Shira & Associates personnel in India. While the firm itself does not conduct statutory audits in India, we may advise on internal audits and related matters, as well as make audit recommendations for foreign investors in India.

With best regards;

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An Introduction to Audit in India

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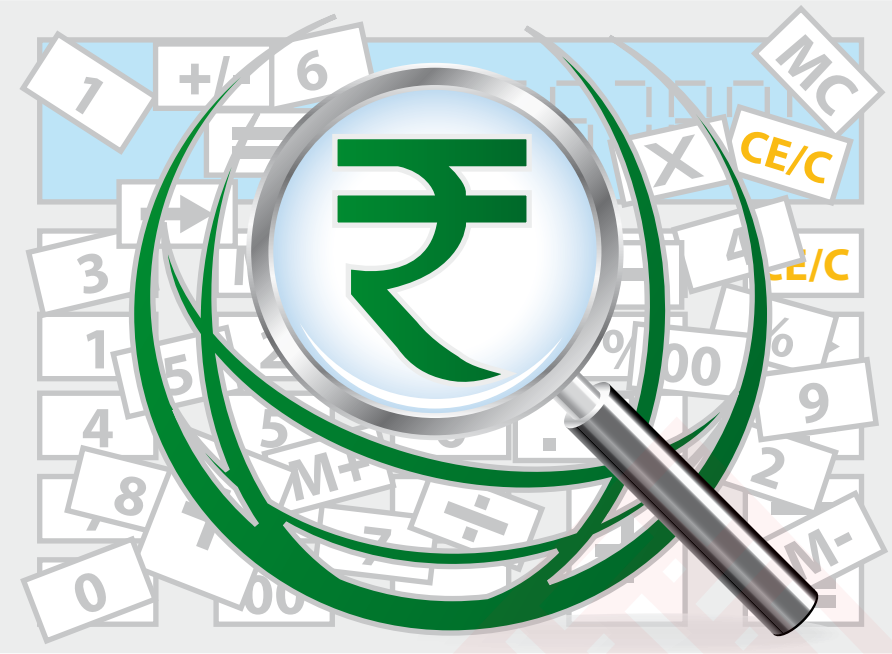

"It is essential that accounts are prepared to India's accounting standards...however these differ from IAS and IFRS protocols and care must be taken"

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- Asia's High Net Worth Individuals Concentrated in China & India
- China's Demographics Point To India As Next Manufacturing Hub

An Introduction to Audit in India for Non-Auditors

– By Himanshu Joshi, Dezan Shira & Associates

As an increasing number of foreign invested enterprises (FIEs) in India have been established in recent years, many foreign executives based in India responsible for their company's operations are not necessarily familiar with the audit process in India. While it may be hard for someone without a background in tax or accounting to be responsible for the financial operations of the company's subsidiary in India, it will certainly be to their benefit if at least a basic understanding of the procedures can be obtained.

Understanding Audits

The term "audit" means the inspection of an individual's, or organization's, accounts. It is generally done by an independent person/body who has specialized skills and knowledge of conducting audit. Another way of looking at it is that accounting procedures record all of the business transactions of the company in order to prepare the financial statements, while auditing procedures verify that those transactions were recorded properly and correctly so as to give a true and fair view of the company's financial statements.

According to the Institute of Chartered Accountants of India: "Auditing is defined as a systematic and independent examination of data, statements, records, operations and performance (financial or otherwise) of an enterprise for a stated purpose. In any auditing situation, the auditor perceives and recognizes the proposition before him for examination, collects evidence, evaluates the same and on this basis formulates a judgment which is communicated through an audit report. An audit is an independent examination of financial information of an entity, irrespective of its size and form, when such examination is conducted with a view of expressing an opinion thereon."

The importance of the audit process cannot be understated, as the results can be used for the following purposes:

- Helping investors know the financial health of the company;
- Helping the government know that the company is properly discharging statutory dues;
- Helping lenders evaluate the credibility of the company;
- Helping management take note of any shortcomings in the company's business operations; and
- Helping management improve business efficiency.

Auditing Objectives

The overlying objectives of the audit process can be classified into the primary objective and the secondary objective.

Primary Objective

The primary objective of an audit is to express a true and fair view of the company's financial statements. This responsibility lies with the auditor who, after completing the audit process, will express their opinion through the issuance of an auditor's report.

A company's financial statements should include:

- Balance Sheet
- Profit & Loss Account
- Cash Flow Statement
- Notes to Accounts

A "true and fair view" can only be satisfied if the financial statements are accurate and not misleading. A company can expect the auditor to feel they have provided a true and fair assessment if the following criteria are satisfied:

- The accounts are prepared with reference to the entries in the account books;
- Entries are supported by proper vouchers, documents or other evidence;
- No entry in the account books are omitted while preparing the financial statements and nothing is included in the financial statements that were not in the account books; and
- The financial statements are prepared in accordance with the relevant accounting standards.

The auditor must comply with the relevant auditing standards while conducting the audit and preparing the auditor's report.

Secondary Objective

During the course of an audit, the auditor may come across instances of error or fraud in the financial statements. In such situations, it is the duty of an auditor to report these details to the appropriate authorities. Hence, the secondary objective of an audit is to detect cases of error and fraud in the company's financial statements, however the detection and removal of such errors and fraud is typically the chief concern of the management within the organization being audited.

Auditing in India

The Institute of Chartered Accountants of India (ICAI) is the governing body for audits in India, and is the premier professional accounting body in India. Only a member of ICAI can become an auditor. ICAI has set up an Auditing and Assurance Standard Board (AASB)[1] to review auditing practices and procedures in India, and to develop a set of Auditing and Assurance Standards (which have since been renamed the Auditing, Review and Other Standards). These standards are designed with a view to bring out the best possible outcomes while also expressing an accurate view of the company's financial statements. All auditors in India must comply with these standards while performing an audit.

Accounting Standards

For financial statements to have a true and fair view, it is essential that the statements are prepared in accordance with India's accounting standards. However, India's accounting standards are different from worldwide accepted International Accounting Standards (IAS) and International Financial Reports Standards (IFRS), and some examples of the key differences between these structures can be found in the chart below.

However, the list below is purely an illustrative list of differences, and there are many other subtleties between current Indian accounting standards and IAS/IFRS norms. As IFRS are accepted

Topic	IAS/IFRS	Current Indian Accounting Standards
Disclosure of Accounting Policies	• Deals with overall considerations, including presentation, off-setting, comparative information, and format	• Does not deal with these aspects. Refers to Schedule VI of Companies Act 1956 for these aspects
	• Provides for preparing statement of change in equity	• No such account prescribed
Valuation of Inventories	• Prescribes same cost formula for all inventories having a similar nature	• There is no stipulation for use of same cost formula
	• When inventory is purchased on deferred terms, excess over normal price is treated as interest over the period of financing	• No such provision in AS
Cash Flow Statement	• Bank overdraft is treated as a component of cash	• Bank overdraft is not treated as a component of cash
	• Provides option to classify interest and dividends either under operating activities or financing activities	• No such option available
Contingencies and Events Occurring After the Balance Sheet Date	• States that proposed dividends should not be shown as liabilities	• Specifically requires proposed dividends to be shown as liabilities
Prior Period Items and Changes in Accounting Policies	• Requires retrospective effect to be given by adjusting opening retained earnings in case of change in accounting policy	• Requires only prospective effect in case of change in accounting policy
Depreciation	• Change in method of depreciation to have prospective effect.	• Requires retrospectively re-computation of depreciation where there is change in depreciation method
	• Change in method of depreciation is treated as change in accounting estimate	• Change in method of depreciation is treated as change in accounting policy
Construction Contract	• Contract revenue is measured at the fair value of the consideration received or receivable	• Contract revenue is measured at the consideration received or receivable
Revenue Recognition	• Allows only percentage of completion method for services rendered	• Allows option of completed service contract method or proportionate completion method
	• Interest income is recognised on an effective interest rate basis	• Interest income is recognised on a time proportion basis
Fixed Assets	• Subsequent costs incurred for replacement of a part of a fixed assets are required to be capitalized and, simultaneously, the replaced part has to be de-capitalized	• Only expenditures that increase the capacity of an asset have to be capitalized

[1] *See: http://www.icai.org/new_post.html?post_id=662&c_id=38*

Effects of Changes in Foreign Exchange Rates	• No distinction between an integral foreign operation and non-integral foreign operation	• Provides for separate treatment of integral and non-integral operations
Accounting for Amalgamations	• Only purchase method is allowed	• Both pooling of interest and purchase method are allowed
	• Assets and liabilities are to be valued at fair value	• Assets and liabilities are to be valued at carrying value
	• Goodwill to be tested for impairment	• Goodwill to be amortized
Consolidated Financial Statements	• A subsidiary is always included in consolidation	• A subsidiary can be excluded from consolidation subject to certain conditions
	• Non-controlling interest is disclosed within equity, but separate from parent shareholders equity	• Minority interest is separately disclosed from the liability and equity of parent shareholder
	• Goodwill is calculated on fair values of assets / liabilities	• Goodwill is calculated on carrying values of assets / liabilities
Accounting for Taxes on Income	• It is based on Balance Sheet approach and temporary difference results in deferred tax liability/asset	• It is based on Income Statement approach and timing difference results in deferred tax liability/asset

worldwide, it thus becomes difficult to make comparisons between Indian companies and their foreign counterparts. To overcome such difficulties, the new Indian Accounting Standards (Ind AS)[3] have been prescribed and comply with IFRS. These standards were originally supposed to be applicable from April 1, 2011, but they are yet to be fully implemented. The new date of implementation of Ind AS is yet to be finalized; however general adherence to them is still recommended.

Types of Audits

Audits are generally classified into two types:

- Statutory Audits
- Internal Audits

Statutory audits are conducted in order to report the state of a company's finances and accounts to the Indian government. Such audits are performed by qualified auditors who are working as external and independent parties. The audit report of a statutory audit is made in the form prescribed by the government agency.

Internal audits are conducted at the bequest of internal management in order to check the health of a company's finances, and analyze operational efficiency of the organization. Internal audits may be performed by an independent party or by the company's own internal staff.

In India, every company whose shares are registered on the stock exchange must have an internal auditing system in place. For a company whose shares are not listed on the stock exchange, but whose average turnover during the previous three years exceeds INR5 crore, or whose share capital and reserves at the beginning of the financial year exceeds INR50 lakh, must have an internal auditing system in place. The statutory auditor of the company must report on the internal auditing system of the company in the audit report.

Key Note: India Mathematical Terminology
1 Crore = 10,000,000
1 Lakh = 100,000

Statutory Audits in India

In India, statutory audits are conducted for each fiscal year (April 1 to March 31) and not the calendar year. The two most common types of statutory audits in India are:

- Tax Audits
- Company Audits

Tax Audits

Tax audits are required under Section 44AB of India's Income Tax Act 1961. This section mandates that every person whose business turnover exceeds INR1 crore and every person working in a profession with gross receipts exceeding INR25 lakh must have their accounts audited by an independent chartered accountant. The audit report is made using Form 3CD along with either Form 3CA (for companies) or Form 3CB (for entities not included under Form 3CA). It should be noted that the provision of tax audits are applicable to everyone, be it an individual, a partnership firm, a company or any other entity. The tax audit report is to be obtained by September 30 after the end of the previous fiscal year. Non-compliance with the tax audit provisions may attract a penalty of 0.5 percent of turnover or INR1 lakh, whichever is lower.

There are no specific rules regarding the appointment or removal of a tax auditor.

[2] *See: http://www.icai.org/post.html?post_id=7543*

Company Audits

The provisions for a company audit are contained in the Companies Act 1956. Every company, irrespective of its nature of business or turnover, must get its annual accounts audited each financial year. For this purpose, the company and its directors have to first appoint an auditor at the outset. Thereafter, at each annual general meeting (AGM), an auditor is appointed by the shareholders of the company who will hold the position from one AGM to the conclusion of the next AGM. However, the new Companies Bill 2012 provides that an auditor shall be appointed for a term of five consecutive AGMs. Individuals and partnership firms, auditors cannot be appointed for more than one or two terms, respectively. After the completion of the term, the auditor must be changed.

Only an independent chartered accountant or a partnership firm of chartered accountants can be appointed as the auditor of a company. The following persons are specifically disqualified from becoming an auditor per the Companies Act:

- A body corporate;
- An officer or employee of the company;
- A person who is partner with an employee of the company or employee of an employee of the company;
- Any person who is indebted to a company for a sum exceeding INR1,000/- or who have guaranteed to the company on behalf of another person a sum exceeding INR1,000; or
- A person who has held any securities in the company after one year from the date of commencement of the Companies (Amendment) Act, 2000.

The auditor is required to prepare the audit report in accordance with the Company Auditor's Report Order (CARO) 2003. CARO requires an auditor to report on various aspects of the company, such as fixed assets, inventories, internal audit standards, internal controls, statutory dues, among others.

The audit report must be obtained before holding the AGM, which itself should be held within six months from the end of the financial year.

Audit Reporting

As discussed earlier, audits are conducted to express a true and fair view of a company's financial statements. Therefore, the auditor's opinion expressed in the ultimate report is based on the information reviewed and analyzed during the verification of financial statements. Upon completing the report, the auditor may express one of the following four opinions:

- Unqualified Opinion
- Qualified Opinion
- Disclaimer of Opinion
- Adverse Opinion

Unqualified Opinion

An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view in accordance with the financial reporting framework used for the preparation and presentation of the financial statements. It indicates that:

- Generally accepted accounting principles are consistently applied in the preparation of financial statements;
- Financial statements comply with the relevant statutory requirements and regulations; and
- There is adequate disclosure of all material matters relevant to the proper presentation of financial information (subject to statutory requirements).

Qualified Opinion

A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed, but that the effect of any disagreement with management is not so material and pervasive as to require an adverse opinion, or the limitation of scope is not so material and pervasive as to require a disclaimer of opinion. A qualified opinion should be expressed as being "subject to" or "except for" the effects of the matter to which the qualification relates.

Disclaimer of Opinion

A disclaimer of opinion is expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and is, therefore, unable to express an opinion on the financial statements.

Adverse Opinion

An adverse opinion is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

* * * *

Dezan Shira & Associates is not a statutory auditor in India and this information is provided as a general guideline. However, the firm works with local statutory auditors in India and can make recommendations for the provision of such work if required. The firm can also provide internal audit and due diligence work upon request.

Please email: **india@dezshira.com** or visit the firm at **www.dezshira.com**.

Preparing Foreign-Invested Entities for Annual Audit in India

– By Manoj Kumar & Chris Devonshire-Ellis, Dezan Shira & Associates

India is often perceived as an investment destination full of red tape and bureaucracy, yet in fact with some attention to detail, the legal and financial operational procedures can be relatively easily expressed – if you know what you are doing. As always, forearmed is forewarned, and any successful business should have its operational procedures laid down and working efficiently. Annual audit procedures help assess companies for purposes of taxable income, but they can also provide a working blueprint of the company which can help management evaluate company efficiencies and deficiencies. In this article, we explain the procedures that a foreign-invested enterprise (FIEs) in India can expect to go through during the audit process, and outline some of the guidelines to prepare yourselves for the inevitable questions your auditors will have.

Firstly, it is important for FIEs about to be audited to make sure that the auditor is familiar with the company's business operations. This means spending some initial time with your auditors explaining your regular business activities.

Briefing Your Auditor

To ensure you get the best possible feedback from your auditor, they should be given some brief background knowledge regarding the nature of your business, the activities you are carrying out, the procedures you follow while making purchases and sales, and to what extent you are following internal control procedures. This latter point your auditor will check as part of the "kick the tires" exercise, but it helps if you first explain to them how you think this operates. Their report – even if it contains criticisms – should help you better manage your business in the future and close any potential operational loopholes.

Identify the Production Process

You should provide your auditors with a list of the major raw material inputs you are using in production. They will want to note the steps you are following for the conversion of raw material into finished goods, as well as verify internal controls at the time of inputting raw material.

Opening Balances Verification

Your auditor will ask you to provide the opening balances report from your management accounts and will verify whether the opening balances have been carried forward correctly from the previous year's audited financial statements. It is not uncommon for some minor adjustments to be necessary.

Vouching of Purchases

Your auditor will also ask to examine the purchasing procedures and may ask you to draft a flow chart explaining this - which is very relevant for their understanding of company operations. It is common for parasitical employees to insert favored suppliers into your supply chain in the form of family businesses or those paying back-hand commissions. Your auditors will want to conduct price surveys on your major purchases to ensure that you are not being overcharged for your most popular supplies.

They will also compare purchase vouchers with the pertinent taxable invoices received from the seller, and material received notes (MRNs) to confirm whether or not the quantities and amounts match. This requires a considerable amount of time. As such, it is recommended that you have a properly trained internal accounting team in place to satisfy this request and make it easier for your auditors to evaluate your paper trail.

Auditors will also check whether the rates of materials on invoices tally with purchase orders raised by the company, and whether the dates on MRNs relate to the current accounting period.

Vouching of Journal Vouchers, Tour Bills, Cash and Bank

You may also expect your auditor to verify whether the supporting bills tallied with the journal vouchers and the expenditures relate to the current period. While verifying the journal vouchers, the auditor will ensure that the appropriate tax deduction at source (TDS) was deducted wherever applicable; it is a relatively common internal mistake that TDS is not calculated. Again, the better your internal processes are, the easier it is to go through and pass an audit examination with confidence.

For travel and related expenses, your company should be prepared to provide supporting documentation. Executives racking up air miles and trips overseas may be asked to provide evidence of the necessity of these expenses in their job descriptions and employment terms, so be careful over this issue. Your auditors will want to verify whether these expenses are within the prescribed limits set for the position in question.

When dealing with cash purchases and petty cash, auditors will want to verify whether any cash payments have exceeded INR20,000 (in accordance with regulation Section 40A(3)) and also check for credit balances in cash. They may also spot-check for verification of cash, as well as check whether the Bank Reconciliation Statement is correct.

Reconciliations

During the course of the audit process, your auditors will want to reconcile the following items:

- VAT returns with purchases and sales;
- Provident fund contributions;
- Professional tax contributions; and
- Employee state insurance contributions.

These payments are statutory and applicable to all companies in India.

Inventory Stock Audit - Manufacturers

For manufacturing entities, you will need to demonstrate that your business maintained its RG 23 books and stock registers when manufacturing or processing materials. To do this, your auditors will need to ascertain whether the RG 23 A Part II / RG 23 C Part II are aligned with your purchase registers and that input credits have been recorded correctly.

The auditors will also verify your Personal Ledger Account (PLA) register to determine whether payments were made through PLA after considering your input credit, and will also carry out a Physical Stock Verification to ensure that the physical quantity of goods reconciles with the inventory register.

Miscellaneous

Rental Agreements

Has your office or factory rent been paid per the rental agreement? Are rental agreements up to date?

PAN Numbers for Contractors

Is your company maintaining photocopy PAN cards for contractors? Starting from the 2011-2012 accounting year, every company now has to maintain the PAN numbers of all persons who come under the TDS applicability for your company. If the PAN is not provided to the company who is deducting TDS, the company needs to deduct TDS at a rate of 20 percent - applicable for the time being as per the recent changes to the Finance Act.

Summary

For many executives who find themselves having to face unfamiliar audit and financial examination procedures, the annual audit process can appear a daunting proposition. Yet it is actually designed to fulfill two specific functions. Firstly, audits are conducted to ensure that your business is declaring the right amount of finances in the properly prescribed manner, so that the government can properly assess your business for any taxable income. It is important for foreign investors to note that not only can the Indian government levy fines for any untoward accounting behavior, but poor financial record keeping can now impact upon the liabilities of foreign executives and the head office in terms of compliance with other responsibilities such as fulfillment of the U.S. Foreign Corrupt Practices Act regulations and similar legislation introduced in Europe.

Secondly, a good audit will identify areas of weakness and make recommendations as to where these should be resolved. Annual audits are also there to assist and provide tips on how to improve management practices, stay in compliance, and lessen the risk of financial troubles.

Finally, should your audit or procedures come up short, it may be time to examine your internal business processes, including the competency of the staff charged with carrying out the company's operations. This will help ensure that your business operates to audit standards throughout all of its operations. The key to corporate success is a well run internal system, and your annual audit should help provide the guidelines on how to achieve this.

India Tax Overview for FIEs

– By Chris Devonshire-Ellis, Dezan Shira & Associates

Tax rates in India depend on many variables, such as whether a company is deemed a permanent establishment, the nature of its income, and the provisions of relevant double taxation avoidance agreements. India's tax system clearly demarcates authority between central and state governments and local bodies, and the central and state governments provide various tax incentives for foreign investors that establish companies in India.

Corporate Income Tax (CIT)

CIT is levied against profits and income under the provisions of the Income Tax Act. Business losses can be carried forward eight years and set off against future profits. A company is considered a foreign company if its core management is located outside of India for the duration of the year. Companies formed in India, even subsidiary units with mother companies in foreign countries, are considered domestic Indian companies.

CIT must be paid by all types of foreign-invested entities, except for liaison offices, which are not permitted to earn income. A tax return must be sent to the income tax authorities by September 30. CIT must be paid in increments throughout the year according to the advance CIT payment schedule as follows: July 15 (15%), September 15 (45%), December 15 (75%), March 15 (100%)

Goods and Service Tax Reform

The Government of India is currently finalizing negotiations for a comprehensive indirect tax reform, which will introduce the new goods and service tax (GST). The dual GST model would come with two tax rates: one that will be charged uniformly across the states and another by the central government. Legislation is still being shaped, but it is likely that virtually all goods and services will be included, with minimum exemptions including alcohol, tobacco and petroleum products. When implemented, the tax will replace current value-added tax (VAT) and central sales tax (CST).

At the time of writing, most states in India impose a VAT on goods, not on services. The VAT paid on goods purchased from within the state is eligible for VAT credits, which can be used to offset the VAT/CST due on the sale of goods. Every business is required to register its VAT, although businesses with less than INR500,000 turnover are exempt from payment. Until the introduction of GST, a service tax is also in effect and is charged at a rate of 10 percent, with a 3 percent education cess on the value of total tax. Goods manufactured in India are also currently subject to excise duties (central VAT) on the value of goods sold or the maximum retail price of the goods sold, depending on the type of products manufactured. The general rate is 12 percent, with the rates for other goods varying greatly.

Capital Gains Tax

When the income from a sale is classified as business income under Indian law, it will be taxable in India only if such income accrues or arises in India or is attributable to a "business connection" in India. The rate of tax applicable to the business income of non-residents is higher than the rate applicable to domestic entities: approximately 42 percent. Equities held for more than one year, other assets held for more than three years, and real estate are considered long-term capital and generally taxed at a basic rate of 20 percent. Short-term capital gains are taxed at the normal CIT rate, which is usually 30 percent. Relief from certain types of capital gains is often sought through double taxation avoidance treaties, which may allow structuring alternatives for foreign investments that entirely relieve investors of the capital tax liability or significantly mitigates the same.

Other Taxes

A dividends distribution tax is levied on the distributing Indian company, not its shareholders, and the company is liable to pay a rate of 16.225 percent on dividends. A wealth tax of 1 percent is also imposed on specific assets held by a taxpaying company in excess of the basic exemption of INR3 million (i.e. expensive cars, yachts). A minimum alternative tax (MAT) is levied at 10 percent of the adjusted book profits if a company's income tax payable on taxable income is less than 10 percent of the adjusted book profits according to the normal provisions of the Income Tax Act. A surcharge of 10 percent is applicable in the case of domestic companies if adjusted book profits are in excess of INR10 million.

Corporate Income Tax Rates

	Standard rate	Surcharge[1]	Education cess[2]
Indian companies	30%	5%	3%
Foreign companies	40%	2%	3%

[1] Only for firms with incomes larger than INR10 million
[2] (Taken as a percent of total tax value)

Value-added Tax Rates

1%	Essential commodities, bullion and precious stones
4%	Industrial inputs and capital goods; items of mass consumption including medicine, drugs, agricultural and industrial inputs and capital; and declared goods
12%	All other items

** In addition, petroleum products, tobacco, liquor etc., attract higher VAT rates that vary from state to state.*

Further Resources

INDIA BRIEFING

Expert Commentary: Inventory Audits

Conducting Inventory Audits in India

Inventory-based auditing and audit processes are the key areas of expertise and competence for internal audit services in all India businesses, and especially for those in manufacturing. Inventory and physical assets such as raw materials, plant and machinery, office equipment, and IT systems count as valued assets of any business.

Your auditors – internal or otherwise – should assist to safeguard and monitor your physical assets and inventories efficiently. Having good inventory records kept to audit standard at all times should be the benchmark of any reputable business, and not just during audit season. Such audits should comprise of a comprehensive and accurate valuation of inventories, by taking into account physical controls, obsolete inventory, scrap and returned goods. Inventory audits provide many benefits, and allow the business to identify slow moving stock, obsolete stock, dead stock and scrap materials; prevent pilferage and fraud; accurately value inventory; and identify gaps in current inventory management stock audit processes.

Inventory auditing is one of the most tried and tested methods of ensuring that the book value and actual condition value of a company's physical assets match.

The following are the main aspects undertaken during an inventory audit:

- Review of cut-off procedures
- Physical verification
- Scrutinizing the stock register
- Discrepancy Reporting
- Verification of Stock-in-transit
- Verification of Stock valuation
- Stock pilferage/damage reports

Foreign investors in India in particular may be subjected to untoward theft or even fraudulent inventory accounts and movements if close checks are not put in place. The aim should be to maintain an inventory that is constantly audited and accounted for, rather than purely rely on an annual audit examination to make things right.

Questions on doing business in India?
Email Dezan Shira & Associates at **india@dezshira.com** *or visit* **www.dezshira.com**.