

# *Scanner* Appendix

**CS Professional Programme Group - I  
(2022 Syllabus)  
(Solutions of June - 2024)**

**Paper - 3 : Compliance Management, Audit and Due Diligence**

## **Chapter - 1 : Compliance Framework**

**2024 - June [1] (b)**

### **Process for Setting up of Compliance Framework:**

#### **Stage-1:**

Identification of Compliance Obligations Applicability of the various Act, Rules, Regulations, Policies and Procedures covering Industry Specific Sector Specific, Specific Activity, Specific Entity, Specific State Law, Local Laws.

#### **State-2:**

Preparation of Compliance Chart-Setting up role and responsibilities of Senior Management, Legal Department and Compliance Executor.

#### **Stage-3:**

Assessment of Historical Compliance Status Assessment of File / Report / Return Statements / Internal Auditor / Independent agency / Regulator.

#### **State-4:**

Assessment of Compliance Risk Identification of Possible situations of non-compliance and development of strategy for Risk Mitigation / Risk Monitoring / Risk Reporting.

#### **State-5:**

Compliance/Action Reporting Report of Internal Auditor/Independent agency/Regulator with the possible Consequence such as disqualification / suspension / lock out / licence cancellation.

**2024 - June [2] (b)**

**The Limited Liability Partnership (Significant Beneficial Owners) Rules, 2023:**

The Ministry of Corporate Affairs has notified “the Limited Liability Partnership (Significant Beneficial Owners) Rules, 2023” which has come into force on the date of its publication in the Official Gazette. The provisions of these rules shall specifically apply to all the Limited Liability Partnerships.

The aforesaid rules, conferred under section 79 of the Limited Liability Partnership Act, 2008, directs to regulate and identify significant beneficial owners in Limited Liability Partnerships and such individual to make a declaration in Form No. LLP BEN-1.

This marks a significant step towards transparency and accountability in LLPs. It establishes clear procedures for identifying, declaring, and managing significant beneficial ownership, ensuring compliance with the Companies Act, 2013.

LLPs must promptly adapt to these rules to avoid legal implications and contribute to a more robust corporate governance framework.

**Following are the key important provisions mentioned in rules:**

1. Applicable the provisions of these rules shall specifically apply to all the LLPs. (Rule 2)
2. Definitions aforesaid rules mentioned various definitions viz, control; majority stake; significant beneficial owner; significant influence; ultimate holding company etc. (Rule 3)
3. Reporting duty of the reporting Limited Liability Partnership (LLP) to take necessary actions in identifying the significant beneficial owner and causing such individual to file Form No. LLP BEN-1. (Rule 4)
4. Declaration upon receipt of declaration, the reporting limited liability partnership shall file a return in Form No. LLP BEN-2 with the Registrar. (Rule 6)
5. Maintain register the Limited Liability Partnership shall maintain a register of significant beneficial owners in Form No. LLP BEN-3 and keep it open for inspection during the business hours for such reasonable time as mentioned in the rules. (Rule 7)

6. Information rules specified Form No. LLP BEN-4 for notice seeking information about significant beneficial owners. (Rule 8)
7. Filing of application provisions related to the filing of application to the Tribunal under certain circumstances. (Rule 9).

## **Chapter - 2 : Documentation and Maintenance of Records**

**2024 - June [1] (a)**

### **Preservation of Documents (Regulation - 9):**

Regulation 9 and 30(8) of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 states about Preservation of documents in regards to the Company.

- (i) **In Corporate Social Responsibility (CSR) Records:**  
Last entry was done on 30/9/2018.  
**Rule:** Maintain up to 8 years after completion of the transaction.  
**Ans:** Preserve up to 30/9/2026.
- (ii) **Insurance records, Policies and claims. Event completed on 31/8/2020:**  
**Rule:** Preserve up to Minimum period of 3 years after the completion of event.  
**Ans:** Preserve up to 31/8/2023.
- (iii) **Payroll records of the employee:**  
Last transaction take place on 30/6/2019.  
**Rule:** Preserve up to Minimum 8 years after the completion of relevant transaction.  
**Ans:** Preserve up to 30/6/2027.
- (iv) **Proof of sending drafts minutes of the Board/ Committee and its delivery:**  
Event completed on 20/9/2022  
**Rule:** Preserve up to Minimum period of 3 years after the completion of event.  
**Ans:** Preserve up to 20/9/2025.
- (v) **Personal file of all live employees:**  
Employee retired on 30/4/2022.  
**Rule:** Preserve shall be Permanent in nature.

**Ans:** Company has to maintain it permanently  
**2024 - June [2A] (Or) (iv)**

The Company Secretary is also responsible for storing, maintaining, retrieving, certifying, and explaining corporate documents. Many issues are implicated relating to document storage, including the span of time the records need to be retained, ensuring the documents are stored in a safe place, whether documents are backed up, either in hard copy or electronically, and their timely access.

As per the provisions of the Companies Act, 2013, every company limited by shares shall from the date of its registration, maintain a register of its members in Form No. MGT-1.

**Penalty:**

The penalty can accordingly be imposed on the company and every officer of the company who is in default shall be punishable with fine which shall not be less than ₹ 50,000 but which may extend to 3 lakh rupees and where the failure is a continuing one, with a further fine which may extend to ₹ 1,000 for every day, after the first during which the failure continues for non-compliance of section 88 of the Companies Act, 2013.

**Case Law:**

In the matter of M/s. SDU Holdings Private Limited, the Registrar of Companies, Bangalore, has passed an adjudication order by imposing of penalty, for violation of provisions of section 88 of the Companies Act, 2013. During the course of enquiry pursuant to section 206 of the Companies Act, 2013, the inspection officer persuaded the statutory registers maintained by the company and noticed that the register Form No. MGT-1 maintained by the company is incomplete. Taking on account of default, the adjudication officer gave reasonable opportunity to being heard to the company and every officer in default by way of giving personal hearing notice.

Consequently, the Adjudicating Officer, after having considered the facts and circumstances of the case and also the submissions made by the company and its director during the personal hearing, decided to impose the penalty on the company and its directors for non-compliance of section 88 of the Companies Act, 2013.

### **Chapter - 3 : Signing and Certification**

#### **2024 - June [2A] (Or) (iii)**

A wrong signing/e-certification leads to the threat to the company, its authorised person and to the certifying professional. The action taken by the Regulator is as follows:

1. In the case of certification of any form, document, application or return under the act containing wrong or false or misleading information or omission of material fact or attachments by the person, the Digital Signature Certificate shall be de-activated by the Central Government till a final decision is taken in this regard.
2. Where any instance of filing of documents, application or return or form etc., containing false or misleading information or omission of material fact or incomplete information is observed, the Regional Director or the Registrar as the case may be, shall conduct a quick inquiry against the professionals who certified the form and signatory thereof including an officer in default who appears prima facie responsible for submitting false or misleading or incorrect information pursuant to requirement of above said Rules, 15 days' notice may be given for the purpose.
3. The Regional Director or the Registrar will submit his/her report in respect of the inquiry initiated, irrespective of the outcome, to the E-Governance cell of the Ministry within 15 days of the expiry of period given for submission of an explanation with recommendation in initiating action under section 447 and 448 of the Companies Act, 2013, wherever applicable and also regarding referral of the matter to the concerned professional Institute for initiating disciplinary proceedings.
4. The E-Governance cell of the Ministry shall process each case so referred and issue necessary instructions to the Regional Director/ Registrar of Companies for initiating action under section 448 and 449 of the Companies Act, 2013, wherever prima facie cases have been made out.
5. The E-Governance cell will thereafter refer such cases to the concerned Institute for conducting disciplinary proceedings against the errant member as well as debar the concerned professional from filing any

document on the MCA portal in future.

6. The Registrar shall forward a fortnightly report to the concerned Regional Director as well as to the E-Governance Division. Thereafter, the Regional Director shall forward a consolidated report to the Joint Secretary, E-Governance Division on or before 7<sup>th</sup> of every month.

#### **Chapter - 4 : Legal Framework Governing Company Secretaries 2024 - June [1] (d)**

The Company Secretary or a firm of Company Secretaries shall not list his/her service(s) on any aggregator website such as Sulekha, Olx, UrbanClap, Justdial, Quikr or any other aggregator of similar category.

#### **ICSI (Guidelines for Advertisement by Company Secretaries), 2020:**

These will be applicable to all advertisements by members of the Institute rendering any advisory, consultancy or representation services whether holding Certificate of Practice issued by the Council of the Institute or otherwise.

#### **Advertisement Restrictions imposed:**

The Advertisement shall:

- (i) not be in violation of provisions of Company Secretaries Act, 1980;
- (ii) not be false or misleading;
- (iii) not claim superiority over any or all other Company Secretaries;
- (iv) not be indecent, sensational or otherwise of such nature which may bring disrepute to the profession or the Institute (ICSI);
- (v) not contain fabricated or false testimonials or endorsements concerning the Company Secretary;
- (vi) not refer the Company Secretaries in the terms such as “specialists” or “experts”; Explanation: The advertisements shall not be self-laudatory and not include the words such as “best,” “better” or “cheapest;”
- (vii) not represent that the quality of the professional services to be performed is greater than the quality of professional services performed by other professionals. Statements comparing one professional's services to that of another are not allowed;
- (viii) not constitute a guarantee, warranty, or prediction regarding the

- outcome of any professional assignment;
- (ix) in no way indicate that the charging of a fee is contingent on outcome, or that no fee will be charged in the absence of the desired outcome;
  - (x) not contain any reference to past successes or results which indicates a guarantee, warranty or prediction of result of future professional assignments;
  - (xi) not be designed for “pleasing customers,” which might mislead or eventually harm customers or third parties;
  - (xii) not contain any humorous slogans.

**Conclusion:** Any non-compliance or violation of these Guidelines, as may be in force from time to time, in any manner whatsoever shall be deemed to be a professional misconduct and the concerned member shall be liable to disciplinary action under the Company Secretaries Act, 1980. Hence, they cannot list his / her services on any website as there is Restriction put down by ICS.

**2024 - June [2A] (Or) (i)**

**Code of Conduct:** Clause (8) of Part I of First Schedule to the Company Secretaries Act, 1980- states that a Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if “he accepts the position of a Company Secretary in Practice previously held by another Company Secretary in Practice without first communicating with him in writing.”

**Explanation:** It is expressly clarified that the communication mentioned in this clause does not mean that no-objection or consent of the previous incumbent is a prerequisite of accepting the said assignment.

In regard to certification of Annual Return under Section 92 of the Companies Act, 2013 and for all exclusive attestation assignments, it is incumbent on the Company Secretary, to ascertain if any other Company Secretary had been appointed previously by the company concerned for certification of Annual Return or for issuance of compliance certificate, as the case may be. The appointee shall take positive steps to ascertain if anyone has been engaged earlier, for the same year, for the certification work.

**In respect of the following, it shall be mandatory to send a prior written communication to the earlier incumbent:**

- (i) Signing / Certification of Annual Return.
- (ii) Issuance of Secretarial Audit Report in terms of Section 204 of the Companies Act, 2013.
- (iii) Issuance of Certificate of Securities Transfers.
- (iv) Certificate of reconciliation of capital, updating of Register of Members, etc. as per the Securities & Exchange Board of India's Circular D&CC/Cir-16/2002 dated December 31, 2002.
- (v) Conduct of Internal Audit of Operations of the Depository Participants.
- (vi) Certification of Corporate Governance under SEBI (LODR) Regulation, 2015.

**Case Analysis:**

M (PCS) have been held guilty of professional misconduct under this clause for having accepted and commenced the certification of Annual Return of a Company without first communication with the PL & Associates (PCS fine) earlier incumbent in writing. It has been concluded that mere oral Conversation is not sufficient to comply with the requirements of clause (8) of Part I of First Schedule to the Company Secretaries Act, 1980, but the delivery of the message to the addressee of the same is essential. Oral communication is no communication as far as this clause is concerned.

It shall be mandatory to send a prior written communication to the earlier incumbent, for the issuance of Secretarial Audit Report in terms of Section 204 of the Companies Act, 2013.

**Conclusion:** Hence M (PCS) has done Professional Misconduct under Clause (8) part I of first Schedule to the Company Secretaries Act, 1980. PL & Associates (PCS firm) is correct as proper procedure was not followed by M (PCS) If M (PCS) has been appointed for Issuing certificates as contemplated as per SEBI(LODR) Regulations, 2015, then it will not be mandatory, although desirable to send a prior written communication to the earlier incumbent. Hence, in that case there will not be Professional misconduct done by M (PCS).



**Chapter - 5 : Values, Ethics and Professional Conduct****2024 - June [1] (c)**

The mentioned situation in the above case is regarding Conflicting values which is one of common causes of loss of ethics and values.

**Note by Practicing Company Secretary:**

**(A) Conflicting Values:** Ethical dilemmas may occur because of conflicting values between two or more people in an organization. One Director may value product quality over quantity while another may value thriftiness.

These officers may discuss changing to a cheaper supplier for a material used in production because of the potential to save money.

**(B) Resolving Ethical Dilemma:** Think about outcomes if you find yourself in a situation when this approach doesn't work, you can resolve a right versus right dilemma by finding the highest "right." Kidder wrote that there are three method to intake the best choice when faced with these types of dilemmas:

(i) **Ends-based:** Select the option that generates the most good for the most people.

(ii) **Rule-based:** Choose as if you're creating a universal standard. Follow the standard that you want others to follow.

(iii) **Care-based:** Choose as if you were the one, most affected by your decision. Once you've identified an ethical right versus right dilemma, lay out your options according to these three principles. One approach will immediately present itself as the "most right".

**(C) Transparency Checklist Traits:** Organisation for Economic Co-operation and Development has also described various principles on "Corporate Governance" one of these Principle includes Disclosure and Transparency, which states "The Corporate Governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company."

**An Organization Transparency checklist includes the below mentioned traits:**

1. Board meetings;
2. Financial disclosure statements;
3. Freedom of information legislation;
4. Budgetary reviews;
5. Annual audits;
6. Annual Reports (Posted on the organization's website for easy access);
7. Strategic plans and priorities;
8. Board of Directors and names of key staff as well as their contact information;
9. Straight talking leadership;
10. Open culture and operations (many voices on behalf of the organization);
11. Disclosed partnerships;
12. Core values & Code of conduct.

In the given case V, the Practicing Company Secretary (PCS), should submit the note giving above details.

**2024 - June [2A] (Or) (ii)**

**Punjab National Bank Case:**

**Facts of the Case:** Punjab National Bank is one of the largest public sector banks in India. The scam of INR 11,300 Crores in the Punjab National Bank scam have come into the limelight. The PNB scam and irregularities, forgery commenced in the year 2011 and continued for six long years with the knowledge of a few banking officials of PNB. It is a case where Letter of Undertaking from Punjab National Bank was taken by Nirav Modi without having a sanctioned credit limit or collaterals. The dispute mainly started due to illegal LOUs issued to Nirav Modi by few PNB banking officials.

**Chronology of the case:**

- (i) Punjab National Bank filed an FIR against Nirav Modi, Mehul Choksi

and other charged with criminal conspiracy and cheating amounting to the tune INR 11,300 Crores.

- (ii) Central Bureau of Investigation was handed over the investigation into the matter.
- (iii) The Enforcement Directorate had registered a money laundering case against Nirav Modi and others under the provisions of PMLA based on the FIR registered by CBI under Sections 120- B r/w 420 of IPC, 1860 read with Section 13(2) read with 13(1)(d) of PC Act, 1988.
- (iv) The Enforcement Directorate seized some movable assets like diamond, gold and jewellery worth INR 56.74 billion from the house of Nirav Modi and his office. CBI after an investigation into the matter arrested two employees of Punjab National Bank and detained one representative of Nirav Modi Group.
- (v) Subsequently, the Central Bureau of Investigation arrested the Chief Financial Officer and two Senior Executives of Nirav Modi firm. It also sealed the Nirav Modi's Assets.
- (vi) The Magistrate Court issued first bailable arrest warrant against Nirav Modi and Mehul Choksi. Enforcement Directorate on the same day filed a petition before the Special Court, Mumbai for seeking issuance of a Non – Bailable Warrant against Nirav Modi and his firm.
- (vii) Enforcement Directorate moves before the Special Court to issue extradition proceeding against Nirav Modi.
- (viii) Government of India sent a letter requesting the UK authorities to initiate extradition proceedings against Nirav Modi.
- (ix) Government of UK took action on the request of the Government of India and the Westminster Court, London issued an arrest warrant against Nirav Modi. He was arrested in London by Scotland Yard Officers and produced before the Westminster Court.
- (x) The Westminster Court rejected the bail petition of the accused /fugitive offender – Nirav Modi on the ground that he may not appear before the Court on the fixed dates for further hearing of the matter.
- (xi) After the plea made by Enforcement Directorate, Nirav Modi has been declared as Fugitive Offender by the Mumbai Court under the Fugitive

Offender Act, 2018. Nirav Modi is currently in Wandsworth Prison in London, from which he is fighting for extradition charges.

**Action taken by RBI after detection of PNB fraud:**

- (i) Reserve Bank of India discontinued the practice of LOUs/ FLCs for trade credits for imports into India.
- (ii) RBI also ordered all the banks to reconcile transactions in Nostro accounts on a real-time basis so that unrecorded and illegal transactions can be identified immediately.

**Chapter - 6 : Non-Compliances, Penalties and Adjudications**

**2024 - June [2] (c)**

The procedure of holding inquiry as per Rule 4 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 is as under:

1. **Issue Notice:** The Board or the adjudicating officer shall, in the first instance, issue a notice to such person requiring him to show cause within such period as may be specified in the notice (being not less than fourteen days from the date of service thereof) why an inquiry should not be held against him. [Rule 4(1)]
2. **Nature of Offence:** Every notice to any such person shall indicate the nature of offence alleged to have been committed by him. [Rule 4(2)]
3. **Inquiry:** If, after considering the cause, if any, shown by such person, the Board or the adjudicating officer is of the opinion that an inquiry should be held, he shall issue a notice fixing a date for the appearance of that person either personally or through his lawyer or other authorised representative. [Rule 4(3)].
4. **Contravention:** On the date fixed, the Board or the adjudicating officer shall explain to the person proceeded against or his lawyer or authorised representative, the offence, alleged to have been committed by such person indicating the provisions of the Act, rules or regulations in respect of which contravention is alleged to have taken place. [Rule 4(4)].
5. **Produce Documents:** The Board or the adjudicating officer shall then give an opportunity to such person to produce such documents or

evidence as he may consider relevant to the inquiry and if necessary, the hearings may be adjourned to a future date and in taking such evidence the Board or the adjudicating officer shall not be bound to observe the provisions of the Evidence Act, 1872. [Rule 4(5)]

6. **Issue Summon:** While holding an inquiry under this rule the Board or the adjudicating officer shall have the power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document which, in the opinion of the Board or the adjudicating officer, may be useful for or relevant to, the subject-matter of the inquiry. [Rule 4(6)]
7. **Adjudicating Officer:** If any person fails, neglects or refuses to appear before the Board or the adjudicating officer, the Board or the adjudicating officer may proceed with the inquiry in the absence of such person after recording the reasons for doing so. [Rule 4(7)].

**Order of the Board or the adjudicating officer (Rule 5):**

If, upon consideration of the evidence produced before the Board or the adjudicating officer, the Board or the adjudicating officer is satisfied that the person has become liable to penalty under any of the specified sections, he may, by order in writing, impose such penalty as he thinks fit in accordance with the provisions of the relevant section.

**Chapter - 7 : Relief and Remedies**

**2024 - June [2] (a)**

**No appeal against order of composition:** A person having agreed to the composition of offence is not entitled to challenge the said proceeding by filing an appeal.

**No penalty or prosecution after compounding:** In PP Varkey vs. STO it was held that once an offence is compounded, penalty or prosecution proceeding cannot be taken for same offence.

**No challenge to the compounding Order:** In S Visvanathan vs. state of Kerala it was held that once the matter is compounded, neither department nor assessee can challenge the compound order. The department cannot reopen the matter on the reason that actual suppression was much higher.

**Conclusion:** In view of the reasons and case Laws cited above the director

will not be allowed to make an appeal.

## **Chapter - 8 : Concepts of Various Audits**

**2024 - June [3] (a)**

### **Insider Trading:**

Insider trading essentially provides that dealing in a company's securities on the basis of confidential information, relating to the company, which is not published or not known to the public, used to make personal profits or avoid loss.

The Insider Trading Audit includes the compliances requirements (event based /continuous disclosures) under the SEBI (Prohibition of Insider Trading) Regulations, 2015 which includes:

- (i) Initial disclosures of trades which is to be made by only the promoters, key managerial personnel, directors internally;
- (ii) Continual disclosures which is to be made by every promoter, employee or director in case value of trade exceed monetary threshold of ten lakh rupees over a calendar quarter; company accordingly notify stock exchanges within 2 trading days;
- (iii) Submission of trading plans;
- (iv) Appointment of compliance officer;
- (v) Pre-clearance for trading;
- (vi) Codes of fair disclosure and conduct;
- (vii) Role of the designate person;
- (viii) Manner of dealing with UPSI.

SEBI (Prohibition of Insider Trading) Regulations, 2015 provides Trading window shall be closed from end of every Quarter till 48 hours after the declaration of financial results.

- (i) Trading window will be closed from 30<sup>th</sup> June, 2023 to 20<sup>th</sup> July, 2023 because result was declared on 18<sup>th</sup> July, 2023.
- (ii) Trading window will be closed from 30<sup>th</sup> September, 2023 to 22<sup>nd</sup> October, 2023 as the results were declared on 20<sup>th</sup> October, 2023.

**2024 - June [3] (c)**

- (i) Vacancies to be filled in respect of certain Key Managerial Personnel [Regulation 26A of (SEBI) (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015]:

1. Any vacancy in the office of Chief Executive Officer, Managing Director, Whole Time Director or Manager shall be filled by the listed entity at the earliest and in any case not later than 3 months from the date of such vacancy.
2. Any vacancy in the office of the Chief Financial Officer shall be filled by the listed entity at the earliest and in any case not later than 3 months from the date of such vacancy.

**Note:** Provided that where the listed entity is required to obtain approval of regulatory, government or statutory authorities to fill up such vacancy, then the vacancy shall be filled up by the listed entity at the earliest and in any case not later than six months from the date of vacancy.

3. The listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.

- (ii) **Disclosure of Cyber Security Breaches:** Regulation 27(2)(ba) of (SEBI) (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015:

Details of Cyber security Incidents of Breaches or loss of data or documents shall be disclosed along with quarterly compliance report on Corporate Governance.

- (iii) Special rights to shareholders:

As per newly inserted Regulation 31B, any special right granted to the shareholders of a listed entity shall be subject to the approval by the shareholders in a general meeting by way of a special resolution once in every five years starting from the date of grant of such special right.

- (iv) **Submission of financial Results for newly listed entity:**

As per newly inserted Regulation 33(3(j)), the listed entity shall subsequent to the listing, submit its financial results for the quarter or the financial year immediately succeeding the period for which the financial statements have been disclosed in the offer document for the initial public offer, in accordance with the prescribed timeline specified:

- for submission of Quarterly results i.e. 45 days from end of each quarter; or
- for Annual Financial Results i.e. 60 days from the end of the financial year; or
- within 21 days from the date of its listing, whichever is later. [Insertion: Regulation 33(3)(j)].

#### **2024 - June [5] (c)**

##### **Methodology for Corporate Social Responsibility Audit:**

1. **Policy:** Review of CSR policy, CSR committee, governance structure, strategy, projects, partner identification and selection process, monitoring, evaluation and reporting.
2. **Interact:** Interact with beneficiaries, project team, management and other stake holders.
3. **Identification:** Review of beneficiary identification and selection process, budget allocation, outcomes monitoring and reporting.
4. **Expenditure:** Review of CSR expenditure, project's direct expenditure, overheads and administrative expenses, traceability and genuineness of expenditure, per beneficiary cost, reasons for inability to spend 2% of profits.

##### **Checklist for Corporate Social Responsibility provisions under the Companies Act, 2013:**

1. Check if the constitution of CSR Committee is applicable to company.
2. If yes, whether the company has constituted CSR committee of the board consisting of three or more directors, out of which at least one director is an independent director. In case where a company is not required to appoint an Independent director under sub-section (4) of 149, it shall have in its CSR Committee two or more directors.



3. Whether the company has CSR policy approved by the CSR Committee.
4. Whether the CSR committee has recommended list of CSR projects or programme within the purview of schedule VII.
5. Whether the monitoring process of such projects or programme has been established by the company.
  
6. The composition of CSR committee is disclosed in the board's report.
7. Check whether the CSR activities were under taken as per CSR policy and projects, programs or activities exclude activities undertaken in pursuance of its normal course of business.
8. Corporate Social Responsibility committee has recommended the amount of expenditure to be incurred on the activities referred in the Corporate Social Responsibility policy.
9. The company has disclosed the contents of the policy in board's report and at its website, if any.
10. The board's report includes an annual report on CSR containing prescribed particulars.
11. In case the company does not spend the specified amount (i.e. at least two percent of the average net profits made during the three immediately preceding financial years), Board's report specifies the reason for not spending the amount.
12. In case the company has built CSR capacities of their own personnel, check whether the expenditure including expenditure on administrative overheads shall not exceed five percent of total CSR expenditure of the company in one financial year.
13. The company has complied with all other requirement of the CSR Rules

## **Chapter - 9 : Audit Engagement**

**2024 - June [4] (b)**

### **Preconditions of acceptance/continuing of any Audit engagement:**

The auditor, in order to establish whether the preconditions for accepting professional assignment are present, the auditor should check that:

- (a) Whether the reporting framework as required in the preparation,

- performance of audit, review of the secretarial/ non-financial statements is acceptable; and
- (b) Whether the management is in agreement to acknowledge and understands its responsibility relating to:
- (i) Preparation of the secretarial/non-financial statements in accordance with the applicable reporting framework, including their fair presentation;
  - (ii) Development of internal control/systems/procedure to enable the preparation of secretarial/non-financial statements which are free from material misstatement, whether due to fraud or error; and
  - (iii) **Providing:**
    - (a) Access to all information of which management is aware that is relevant to the preparation/audit/review etc. of the secretarial/non-financial statements such as records, documentation and other matters;
    - (b) Additional information that the auditor may request from management for the relevant purpose; and
    - (c) Unrestricted access to persons within the company from whom the auditor determines it necessary to obtain audit evidence.

## Chapter - 10 : Audit Principles and Techniques

2024 - June [4] (a)

### Substantive Auditing:

Following are the steps elucidating how substantive auditing works in case a company makes assertions:

A company's management team makes implicit or explicit claims about their financial situation, and these auditing assertions get presented to an auditor. There are five general categories of assertions that companies make during audits, which are:14

- (i) **Occurrence or existence:** This assertion states that financial statements listing assets, liabilities and shareholder equity exist when the accounting period is over.
- (ii) **Disclosure and presentation:** This is an assertion that the financial statements will include and present all financial information and

financial disclosures in a clear manner that auditors can easily understand.

- (iii) **Obligations and rights:** This assertion states that the company has usage rights or ownership of all the assets listed in the financial statements and that all liabilities belong to the company, not a third party.
  
- (iv) **Accuracy or valuation:** This assertion states that all the calculations in the financial statements are accurate, classified appropriately and based on a proper valuation of balances, liabilities and assets.
- (v) **Completeness:** An assertion that the financial statements include and present all the required items, transactions and inventory, including third parties with temporary possession.

#### 2024 - June [5] (b)

Audit techniques are the methods and procedures used by auditors to obtain sufficient and appropriate audit evidence to support audit opinion. Here are some common audit techniques used by auditors. Following are the key Audit Techniques can be used by the Auditors:

1. **Examination of Record:** This technique is generally used by the auditors, the inspection of books and documents is made to verify the validity of data.
2. **Inquiry:** The auditor can also use the technique of inquiry. He can get the information from resource persons inside or outside the enterprise.
3. **Sampling:** Auditor can select few items from whole accounting information. This technique enables the auditor to obtain and evaluate the evidence of some characteristics of the whole class. It is helpful in forming the conclusion.
4. **Confirmation:** To ensure the validity of the data auditor can collect the information from the debtor. Confirmation is response to an inquiry to prove certain data recorded in the books.
5. **Compliance:** To check the arithmetical validity of accounting record, the balancing accounts can be compared with the vouchers to test the

reliability of data.

6. **Compliance Test:** These tests are designed to check the effectiveness and compliance of internal control.
7. **Use of Computer Techniques:** There are large number of audit techniques like audit software, test packs and mapping which can be used by the auditor to test the accuracy of the data.
  
8. **Substantive Test:** There are designed to obtain evidence that data produced by accounting system is accurate or not. It has two kinds:
  - (a) Test of detail transaction.
  - (b) Test of significant ratios and trends.
9. **Dependence on Experts and Auditors:** The auditor has to rely on the internal and other auditors to complete his work. He has also to rely on other experts like lawyers, engineers and doctors for their expert opinion about the business.
10. **Analytical Review:** It consists of studying significant ratios, trends and investigating different changes. This review procedure is based on the expectations of relationship among the past and present data.

**Conclusion:** The Auditor can use a combination of audit techniques to obtain sufficient and appropriate evidence to support the audit opinion. The auditor's use of analytical procedures, sampling, and computer-assisted audit techniques helped to identify any potential risks or concerns in the financial statements, which allowed the company to address these issues and improve its financial reporting process.

The auditor has to open communication with the company's management team and informs them of any finding or concerns.

At the conclusion of the audit, the auditor issues an audit opinion based on the evidence obtained through the various audit techniques use .

#### **2024 - June [6] (c)**

The Ministry of Corporate Affairs through its notification issued on 24th March, 2021, relating to Audit Trail and the same is applicable on all

companies.

As per the above notification, businesses that fall under the purview of MCA and use accounting software for maintaining books of accounts should have an audit trail feature.

The accounting software used by such businesses should create an edit log of each and every transaction with changes made in the books of accounts.

The software should capture the date details when such changes are made and ensure the edit trail cannot be disabled.

Rule 3 of the (Manner of Books of Account to be Kept in Electronic Mode) of the Companies (Accounts) Rules, 2014, provides that for the financial year commencing on or after the 1<sup>st</sup> day of April, 2023. every company which uses accounting software for maintaining books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

In the given case JKL Ltd. should use the accounting software for maintaining books of accounts having an audit trail feature.

**Audit Trail:** Audit trails must have a few key details to provide comprehensive information about a transaction. To get these details at an enterprise level, although, a certain audit trail framework must be set up. Every access made to the accounts and records of the company should be tracked.

Every edit made to any information must be recorded with the name of the person who did it and the time it was done. If any information was deleted, that also should be recorded.

**Following are the key financial details to track as part of the audit trail:**

- (i) Any changes involved in the transaction.
- (ii) The person who partook in the transaction.
- (iii) The time at which the transaction took place.
- (iv) The time at which the modification or edit took place.
- (v) Example of audit trail.

**Note:** Accounting software provides the ideal example for audit trails. Once

you enter a transaction in the software, the software will maintain a record of it. Any further edits made to the details, such as a change in the amount or change in the name against which the entry is made, will also be tracked by the software along with the user who made the changes and the time it was changed.

Even if some transaction were to be deleted, the software will track that as well and keep the record of everything since the original entry was made. This means that every transaction can be checked from its entry to its deletion. This eliminates the chance of anyone making fraudulent changes that cannot be traced and reduces the stress on business owners.

**Benefits of an audit trail:**

The MCA audit trail system has several benefits, including:

1. **Increased transparency:** The audit trail system provides a detailed record of all transactions, making it easier for regulators and stakeholders to monitor the activities of companies and to detect any irregularities.
2. **Improved accuracy:** By requiring companies to maintain accurate electronic records, the audit trail system helps to prevent errors and omissions in financial reporting.
3. **Greater accountability:** The audit trail system holds companies and their employees accountable for their actions by providing a detailed record of all changes made to electronic records.
4. **Enhanced regulatory compliance:** The audit trail system helps to ensure that companies comply with various laws and regulations related to corporate governance and financial reporting.
5. **Foolproof:** There is also the advantage of proving that the company books are clean and in a healthy state which gives a big boost in the valuation of the company as well as generating funds through loans or by raising capital.

**Chapter - 11 : Audit Process and Documentation**

**2024 - June [6A] (Or) (i)**

**Collection and Verification of Audit Evidence:**

The Auditor shall verify compliance with applicable laws, acts rules,

regulations and standards.

Deviation, if any, shall be recorded. The Auditor shall satisfy himself about compliance of Auditee with the applicable laws, rules and regulations. If any deviation is observed then the appropriate noting of the same shall be made.

The Auditor shall obtain complete, relevant and necessary to support the opinion.

**Audit evidence is obtained using a variety of techniques such as the following:**

1. **Documents/Records Scrutiny:** This is predominating mode of obtaining Audit evidence and involves scrutiny of a wide variety of documents e.g. board resolutions agenda and minutes, notice registers, records, procedure manuals, reports, etc.
2. **Testing, Interviews and Analysis:** The Auditor should determine whether the controls identified during the preliminary review are operating properly and in manner described by the Auditee. Fieldwork typically consists of interviewing the staff of the Auditee whether formally or informally, reviewing procedure manuals and processes, testing and analyzing compliance with applicable policies and procedures and laws, rules, regulations and assessing the adequacy of controls.
3. **Questionnaires:** This involves seeking information from relevant persons within the Auditee through issue of formal questionnaires to elicit further information and gather relevant audit evidence.
4. **Third Party Confirmation:** It is a type of inquiry and involves obtaining, independently of the Auditee, a reply from a third party with regard to some particular information- for illustrate Registrar and Transfer Agents or other third party agencies.
5. **Analytical Procedures:** Involves comparing data, or investigating fluctuations or relationships that appear inconsistent in various records

“Misstatement” means any information or statement which is false, incorrect, incomplete, misleading or misrepresents, omits or suppresses a material fact.

Misstatement means when any written statement is found to be false, incorrect, incomplete, misleading, or which misrepresents or omits or suppresses any material fact from the given meaning of the stated sentence or paragraph or otherwise from the whole document, which in turn fails to portray a clear, true and fair meaning of the titled subject and ultimately purpose of the given statement is not attained or understood in its correct sense.

**Causes of misstatement may include:**

- (a) An inaccuracy in gathering or processing data or information;
- (b) An omission of a disclosure;
- (c) An incorrect or clear misinterpretation of the facts; or
- (d) Management's judgments that the Auditor considers unreasonable.

**Illustration:** XYZ an Auditee company has stated in its Annual Report that company has complied with all applicable regulations of SEBI during the Financial Years whereas the material noncompliances were not reported which impacts the Goodwill of the company, which can mislead the investors.

**Chapter - 13 : Secretarial Audit**

**2024 - June [2] (d)**

**Rule:** As per Clause 11 of (Professional misconduct in relation to Company Secretaries in Practice) (Part I of the First Schedule to the Company Secretaries Act, 1980), Provides that a Company Secretary in Practice shall be deemed to be guilty of professional misconduct.

**Analysis:** It is not permissible for a Company Secretary in Practice to allow any person to sign on his behalf or on behalf of his firm anything which he is required to certify as a Company Secretary or any other statement related thereto.

The purpose is not to allow a member to have his judgment and expertise substituted by the judgment of any tether person who is not a



member in practice or his partner in the firm. If a document has to be certified by SS (Company Secretary in Practice) herself.

**Conclusion:** PCS who is not a partner of another PCS cannot sign on behalf of such other PCS on Annual Returns or Secretarial Audit Report or any other certificates. Therefore, it is the Professional misconduct done by SS under Clause 11 of Part I of First Schedule to the Company Secretaries Act, 1980.

**Objective:** It is not permissible for a Company Secretary in Practice to allow any person to sign on his behalf or on behalf of his firm anything which he is required to certify as a Company Secretary or any other statement related thereto.

The purpose is not to allow a member to have his judgment and expertise substituted by the judgment of any other person who is not a member in practice or his partner in the firm.

**Due care:** In e-governance era, a PCS on many occasions attaches his Digital Signature to various forms/statements. Due care has to be taken that such Digital Signature is attached only by the PCS himself.

It would be the exclusive duty and obligation of PCS to prevent any unauthorized use of his Digital Signature. PCS is not expected to part with the password of his Digital Signature.

**2024 - June [5] (a)**

**An event/action may be considered as having major bearing on Company's affairs includes the following situations:**

1. The Auditor shall assess and identify the material action or events having bearing on the Auditee's affairs in pursuance of the applicable laws, act, rules, regulations, guidelines, standards, etc. and report accordingly.
2. The identification of the corporate actions of events having bearing on the Auditee's affairs in terms of applicable laws, act, rules, regulations, guidelines, standards, etc. is a subjective matter and need to be concluded keeping in mind various parameters. Such parameters may include the following:

- (a) The consideration involved in the transaction as a percentage of the consolidated turnover, net worth or profit;
  - (b) The transaction whether or not in the ordinary course of business;
  - (c) The transaction representing a significant shift from the company's strategy;
  - (d) The omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date.
3. Further, following are indicative actions and/or events may be considered to have a bearing on the Auditee's affairs:
  - (a) Future plans of Merger or Amalgamation.
  - (b) Revision in Rating(s).
  
  - (c) Fraud/ defaults by promoter or key managerial personnel or by listed entity.
  - (d) Arrest of key managerial personal or promoter.<sup>17</sup>
  - (e) Agreements [viz. shareholder agreement(s), joint venture agreement(s).
  - (f) Corporate Debt Restructuring (CDR).
4. The Auditor shall disclose the material non-compliances and transactions as observed during the course of Audit.

**Conclusion:** The Secretarial Auditor shall identify and report all events/actions having major bearing on the Company's Affairs.

**2024 - June [6] (b)**

**For Verification of Corporate Conduct of XYZ Ltd., the Secretarial Auditor will do the following steps:**

- (i) **Identification of Events/Corporate Actions:** The Auditor shall identify events/ corporate actions that took place during the audit period. The identification shall be made by reviewing the website of the regulators, website of the Auditee, statutory records including books and papers, interaction with the Management and in any other appropriate manner.

- (ii) **Events/Corporate Action:** A corporate action is an event initiated by a company that brings or could bring an actual change to the working of the company, following are the events / Corporate actions:
- (a) Investment made during the period under audit,
  - (b) Change in the borrowing limits,
  - (c) Issuance of the securities-equity or debt,
  - (d) Appointment of the KMPs, etc., as approved by its board of directors and/or shareholders.

An action-based event may be defined as any activity that amends the functioning of an organization and impacts its stakeholders, including Shareholders, both common and preferred, as well as Lenders. These events are generally approved by the company's board of directors or shareholders of the company, some of the examples are given below for reference:

- (a) Events/ actions altering the Charter documents of the company;
  - (b) Changes in the Capital structure of the company;
  - (c) Change in the Affairs/ Management of the company;
  - (d) Change in the Licensing or permission for the business operation of the company;
  - (e) Casual Vacancy of statutory auditor / director / KMP;
- (iii) **Identification of Events/Corporate Actions:** The Auditor is expected to identify the Corporate Actions from which a compliance requirement may arise. Corporate actions may primarily be identified from the following:
- Financial statements;<sup>21</sup>
  - Agenda and Notes on Agenda of Board/ Committee/ Members' Meetings;
  - Minutes of the Board/ Committees/ Members' Meetings;
  - Reporting and Filing to the regulators;
  - Annual Report;
  - Statutory Disclosures on website of the company, website of the Ministry of Corporate
  - Affairs and on any other platform such as Stock Exchange;
  - Third party sources which may include registrar and transfer

agents, banks, financial auditor, stakeholders etc.

- (iv) **Verification of Compliance:** The Auditor shall verify all event and calendar-based compliances from the Records of the Auditee, database or website of the regulators and other relevant sources. The Auditor shall use systematic and comprehensive audit checklists for carrying out the audit and verifying the compliance requirements.

The Auditor shall compile and validate the checklists for use in the audit process on the basis of information gathered about the Auditee and scope of the audit. It is a useful tool to ensure that no compliance point is missed or omitted while conducting the audit.

The audit checklist should provide structure and continuity to an audit. Audit checklists should be reviewed and updated from time to time to meet the scope of audit and its effectiveness.

The Auditor should verify the compliances of applicable laws and rules based on the information gathered by the Auditor.

**Conclusion:** Hence by following these methods, the Auditor can not only verify but also ensure its compliance as per the Regulations.

## **Chapter - 14 : Internal Audit and Performance Audit**

### **2024 - June [4] (c)**

The first step in conducting assessment of the Internal Audit function involve reviewing the management's expectations and achievements.

This may also include remediation measures for better results, if necessary, and should be reported to the Board/Audit Committee.

Performance measure ensure high standards for audit strategy execution and reporting. It also helps organizations align their audit strategy with their overall business strategy, thereby linking the audit's performance to the organizations mission and objective.

This ensures that concern stakeholder audit needs are fulfilled.

**Key benchmark of performance assessments is mentioned below:**

- (i) Effectiveness of Audit in covering key areas;
- (ii) Feedback of audit findings during audit;
- (iii) Duration and timeliness of the audit;

- (iv) Accuracy of audit findings;
- (v) Value of the audit recommendation;
- (vi) Value added by the internal audit function

**2024 - June [6A] (Or) (iii)****Internal Audit:**

The concept of the Internal Audit has been recognized as a statutory exercise under Section 138 of the Companies Act, 2013 and has been made mandatory.

**As per Rule 13 of Companies (Accounts) Rule, 2014 every private company having:**

- (i) Turnover of two hundred crores rupees or more during the preceding financial year; or
- (ii) Outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crores rupees or more at any point of time during the preceding financial year.

Shall be required to appoint an Internal Auditor who may be either an individual or a partnership firm or a body corporate.

In the given case of KK Pvt. Ltd., the turnover was of ₹ 180 crore and total outstanding loan was to the tune of ₹ 110 crore (i.e. 50 crore + 60 crore) during the financial year 2021 -22.

**Conclusion:** As the KK Pvt. Ltd. is having outstanding loan exceeding the limit of ₹100 crore during the year 2021-22 therefore the contention of D is correct and a company is required to go for Internal Audit for the year 2022-23 which might be conducted by appointed an Internal Auditor who might be either an individual or a partnership firm or a body corporate.

**Chapter - 15 : Peer Review and Quality Review****2024 - June [3] (b)****Guidelines for Peer Review:**

Guidelines for Peer Review contains provisions for the report of Peer Reviewer.

It has been provided that at the end of an on-site review, the Reviewer shall, before making his report to the Board, communicate a preliminary report to the Practice Unit, in case the Reviewer observes any deficiency in the systems and procedures of the Practice Unit.

The Reviewer shall report on the areas where systems and procedures had been found to be deficient or where he has noticed noncompliance with reference to any other matter.

**The basic components of a Reviewer's Report are as under:**

- (i) Scope of Peer Review;
- (ii) Reference to the quality control standards;
- (iii) A statement indicating that the quality control is the responsibility of the reviewed firm; Limitations if any on the review conducted;
- (iv) A reference to the preliminary report;
- (v) Description of why modified report is required, instead of clean report.

**Situations when a reviewer can qualify the report:**

- (i) Non-compliance with quality control policies and procedures;
- (ii) Any deficiency found in quality control procedures;
- (iii) Non-adherence to ICSI Auditing Standards, Guidance Notes, Manuals, References and advisories issued by the Institute;
- (iv) No internal control systems prevail in the Practice Unit;
- (v) Current and permanent files were not maintained as per standards laid down;
- (vi) Adequate training programmes were not organized for the staff.

**Conclusion:** The Reviewer shall be expected to examine the materiality of the non-compliance or deficiency, the number of occasions when such non-compliance was noticed and its overall impact on the quality of professional service rendered by the Practice Unit.

**2024 - June [6] (a)**

**Peer Review:**

Peer Review mainly considers examination of the systems and approach of a Practice Unit by another member of the Institute with the objective of identifying the areas, where the member may require guidance in improving the quality of his performance and adherence to the requirements of various technical standards.

The focus lies on the promotion of continuing quality improvement in an atmosphere of openness and mutual trust that contributes to enhancing transparency and comparability.

Good practice is valued and mutual learning is encouraged in a dynamic and motivating process, from which both the Practice Unit and the Reviewer get benefit.

**The main purpose of Peer Review:** The main purpose of Peer Review is to ensure that while

rendering Professional Services, the members in practice would:

- (i) comply with the Technical Standards laid down by the Institute; and
- (ii) have in place proper systems for maintaining the quality of services they perform.

**Benefits of Peer Review:** There are significant benefits which a Practice Unit will obtain in undergoing a Peer Review:

- (i) A successful Peer Review (PR) will provide comfort to the Practice Unit that it has adhered to various statutory, documentary and other regulatory requirements.
- (ii) If deficiencies are noticed and corrective measures suggested, the Practice Unit will have an opportunity to correct the deficiencies and thereby enhance professional competence.
- (iii) If a Peer Review Certificate (PRC) is issued to the Practice Unit it enhances credibility of the Practice Unit in the eyes of the general public.
- (iv) Since a Chinese Wall exists between the Peer Review Process (PRP) and the Disciplinary Proceedings. The Practice Unit will benefit from Peer Review without any apprehension of any disciplinary proceedings being initiated against for any deficiencies noticed on its part.
- (v) Clients of the Practice Unit will benefit from knowing that their Practice Unit is periodically reviewed by the ICSI.
- (vi) Furthermore, the benefits of getting Peer Reviewed Units (PRU) can be seen by Guidelines Issued by Council of the Institute from time to time.

**Conclusion:** Peer Review identifies the areas through review of professional services engagement records, where a practicing member may require guidance in improving the quality of his/her performance and adherence to

various regulatory requirements.

### **Chapter - 16 : Due Diligence**

#### **2024 - June [4] (e)**

The Foreign Contribution (Regulations) Act, 2010, the Foreign Contribution (Regulation) Rules, 2011 (FCRA Rules, 2011), and Foreign Contribution (Regulation) Amendment Rules, 2015 (FCRA Amendment Rules, 2015) were respectively enacted to regulate the inflow of foreign funds received by Non-Governmental Organizations.

1. The FCRA legislation state that an organization cannot receive funding from a foreign source, unless it is registered under the Foreign Currency (Regulations) Act, 2010 or has obtained special government approval for a specific project.
2. Also, the registered NGOs need to comply with various post-registration requirements, as detailed in the provisions of the Act and its rules of enforcement.
3. NGOs in India are categorized under three legal categories: society, trust, and a limited company. These may be founded for a specific cultural, economic, educational, religious, or social purpose.
4. The Income Tax Department (IT Department) and Ministry of Home Affairs regulate registration and require all NGOs to file annual tax returns and submit audited account statements to their respective agencies.
5. The most important reporting requirement under the FCRA is the submission of annual returns. All NGOs are required to submit their annual returns to the Ministry of Home Affairs (MHA) within nine months from the closure of the previous financial year.

#### **2024 - June [6A] (Or) (ii)**

##### **Meaning of Due Diligence:**

“Due Diligence” refers to investigation into the affairs of an entity prior to its acquisition, restructuring, fund raising or other similar transaction. Due Diligence is not restricted to check the facts but also to evaluate, interpret and communicate the facts so as to ensure that prospective investors make



an informed investment decision.

It is process of gathering information about the target company, its business and the environment in which it operates.

**Features of due Diligence:**

A Due Diligence is an interactive process that includes:

- (i) Inquiring financial and operational data.
- (ii) Analysing financial and operational data.
- (iii) Interpreting financial and operational data.
- (iv) Assessment of risks and opportunities.

As a part of the business strategy, the Companies before making any relationship with the other party conduct the background checks of the client, customer, supplier etc. to ensure that the parties to the transaction have the disclosed the information as required to proceed with the transaction and is a process to completely understand a business capability and its past performance.

**Due Diligence Report:** After the conduct of the due diligence, a due diligence report prepared to provide information and insight on various aspects such as the risks of a transaction, the value at which a transaction should be undertaken, the warranties and indemnities that needs to be obtained from vendor etc.

**Investigation:** In any transaction, the seller does investigation of a buyer to ensure that the buyer has adequate resources to complete the transaction, as well as other business aspect covering the technical and human resource, cultural, taxation etc. which would affect the company after entering into the transaction.

**Important Points Related to Due Diligence:**

1. It is not limited to accounting analysis but has a business-oriented approach;
2. Its analysis the information on the basis of the actual facts;
3. Considers the industry of the target company;
4. Examines the business affairs having a significant impact on the prospects of the business;

5. Explores significant business practices and business models;
6. Examination of relevant aspects of the past, present and near future of the business;

**Conclusion:** While exploring any business opportunity, it is the foremost requirement for a corporate to investigate and evaluate the potential and risk associated with such business. The due diligence covers the activities relating to pi e-transaction, during the transaction and post transaction exercise with all relevant aspects of the past, present, and predictable future of the any business.

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