

**ILLUSTRATIVE FORMAT OF INDEPENDENT AUDITOR'S REPORT  
ON THE STANDALONE FINANCIAL STATEMENTS OF A COMPANY UNDER  
THE COMPANIES ACT, 2013 AND THE RULES THEREUNDER  
(TO BE ADDED TO THE APPENDIX TO SA 705<sup>1</sup>)**

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*Circumstances include the following:*

- *Audit of a complete set of standalone general purpose financial statements of a company prepared under the Companies Act, 2013 financial reporting framework.*
- *The terms of the audit engagement reflect description of management's responsibility for the financial statements in SA 210.*
- *The auditor was unable to obtain sufficient appropriate audit evidence regarding an investment in a foreign affiliate. The possible effects of the inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the financial statement. The audit opinion is **qualified** for the misstatement.*
- *In addition to the audit of financial statements, the auditor has other reporting responsibilities required under the Companies Act, 2013 and/or other regulatory requirements. **However, the auditor does not have the responsibility to report on internal financial controls of the Company pursuant to section 143(3)(i) of the Companies Act 2013.***

## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of ABC Company Limited**

### **Report on the Standalone<sup>2</sup>Financial Statements**

We have audited the accompanying standalone financial statements of ABC Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 20XX, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information {*in which are incorporated returns for the year ended on that date audited by the branch auditors of the Company's branches at (location of branches)*}<sup>3</sup>.

### **Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards referred specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and

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<sup>1</sup> Standard on Auditing (SA) 705, *Modifications to the Opinion in the Independent Auditor's Report*.

<sup>2</sup> Where the Company does not have any requirement to prepare consolidated financial statements under the Companies Act 2013, in the auditor's report, the term "Standalone financial statements", wherever appearing, would be replaced by the term "financial statements".

<sup>3</sup> Where applicable.

prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

ABC Company Limited's investment in XYZ Company, a foreign associate whose net worth has been fully / substantially eroded, is carried at Rs. XXX in the Balance Sheet as at March 31, 20XX. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC Company Limited's investment in XYZ Company as at March 31, 20XX because we were denied access to the financial information, management, and the auditors of XYZ Company. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

### **Qualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects<sup>4</sup> of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31<sup>st</sup> March 20XX, and its profit/loss and its cash flows for the year ended on that date:

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<sup>4</sup> Note the use of words "possible effects" as the auditor was unable to obtain sufficient appropriate audit evidence.

## Other Matter<sup>5</sup>

We did not audit the financial statements/information of \_\_\_\_\_(number) branches included in the standalone financial statements of the Company whose financial statements / financial information reflect total assets of Rs. \_\_\_\_\_ as at 31st March, 20XX and total revenues of Rs. \_\_\_\_\_ for the year ended on that date, as considered in the standalone financial statements. The financial statements/information of these branches have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors.

Our opinion is not qualified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report that:

- a. We have sought and, except for the matters described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books [*and proper returns adequate for the purposes of our audit have been received from branches not visited by us*]<sup>6</sup>;
- c. *The reports on the accounts of the branch offices of the Company audited under section 143(8) of the Act by the branch auditors have been sent to us and have been properly dealt with by us in preparing this report.*<sup>7</sup>
- d. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account [*and with the returns received from branches not visited by us*]<sup>8</sup>;
- e. Except for the possible effects<sup>9</sup> of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2013;
- f. The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
- g. On the basis of written representations received from the directors as on March 31, 20XX, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 20XX, from being appointed as a director in terms of section 164(2) of the Act.
- h. The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- i. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

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<sup>5</sup> Where applicable.

<sup>6</sup>Where applicable.

<sup>7</sup>Where applicable.

<sup>8</sup>Where applicable.

<sup>9</sup>Note the use of words "possible effects" as the auditor was unable to obtain sufficient appropriate audit evidence.

- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note XX to the financial statements; *[or the Company does not have any pending litigations which would impact its financial position<sup>10</sup>]*
- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note XX to the financial statements; *[or the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.<sup>11</sup>]*
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company *{or, following are the instances of delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company or there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company<sup>12</sup>}*.

For XYZ and Co.  
Chartered Accountants  
Firm's Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>13</sup>)  
Membership Number

Place of Signature

Date

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<sup>10</sup> As may be applicable.

<sup>11</sup> As may be applicable.

<sup>12</sup> As may be applicable

<sup>13</sup> Partner or Proprietor, as the case may be.