

**Checklist On Impact of Corona Virus on Financial Reporting and the Auditors
Consideration**

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Sr. No.	Particulars	Yes / No / Not Applicable	If yes – Remarks/ Comments
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A. Impact on Financial Reporting for Accounting Year Ending 31st March, 2020 to be taken care by those charged with the governance (TCWG).

1.	<p>Inventory Measurement (AS 2) :</p> <p>a) Whether inventory is written down to net realisable value due to reduced movement in inventory, decline in selling prices, or inventory obsolescence due to lower than expected sales.</p> <p>b) Whether management has considered written down of inventories to net realisable value item by item.</p> <p>Notes:</p> <p>1. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.</p> <p>2. Inventories should be valued at the lower of cost and net realisable value</p> <p>c) Allocation of fixed :</p> <ul style="list-style-type: none"> - Whether allocation of fixed production overheads to the costs of conversion is based on the normal production capacity. And the amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. - Whether unallocated overheads are recognised as an expense or not in the period in which they are incurred. - Whether the normal production capacity is reviewed for allocating fixed production overheads for the year 2019-2020, because of adverse impact on the utilisation of the production capacity due to the impact of coronavirus on the overall economy or the segment(s) in which the entity is operating. - Has Entity assessed the significance of any write-downs and whether they require disclosure in accordance with AS 2 and paragraph 14(a) of AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies 		
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2.	<p>Impairment of Assets :</p> <p>a) Whether entity has assessed, at the end of reporting period for any indication that non-financial assets may be impaired. Note: The impairment test only has to be carried out if there are such indications.</p> <p>b) If any such indication exists, whether the entity has estimated the recoverable amount of the asset.</p> <p>c) Due to COVID 19, whether there is temporary ceasing of operations or an immediate decline in demand or prices resulting in lowering of revenues and profitability and reduced economic activity. Whether management has considered these factors as the indicators that may require impairment testing for the purpose of AS 28.</p> <p>d) Whether entity has estimated the recoverable amount of the assets for impairment testing.</p> <p>Notes:</p> <ol style="list-style-type: none"> 1. Recoverable amount is higher of the fair value less costs of disposal and the value in use. 2. In cases where the recoverable amount is estimated based on value in use, the considerations on accounting estimates apply. <p>Whether management has considered following critical factors:</p> <ul style="list-style-type: none"> • Contraction in economic activity due to the outbreak of COVID 19 is considered to be an impairment indicator; • Assumptions used for impairment testing and to determine the recoverable amounts; • The assumptions used to determine discount rate to measure the recoverable amount; • The forecasts or budgets for future cash flows prepared by management should be updated to reflect the impact of COVID 19; 		
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	<ul style="list-style-type: none"> • Market assumptions used to determine fair value for recoverable amounts; • Reasonable assumptions are taken in estimating the value-in-use and fair value less costs of disposal and ensure that the impairment loss, if any, is estimated reliably. <p>Goodwill impairment :</p> <p>a) Whether goodwill is tested for impairment at a level that reflects the way an entity manages its operations and with which the goodwill would naturally be associated.</p> <p>b) Whether due to COVID-19, are there any significant changes with an adverse effect in operations of cash generating unit to which goodwill is allocated and therefore requiring additional focus and attention while testing of impairment of goodwill as at 31st March, 2020.</p> <p>Note: The disclosure requirements in AS 28 are extensive. Depending on Specific facts and circumstances, Entity Needs to considered providing detailed disclosures on the assumptions and sensitives considered for effects of the COVID-19.</p>		
3.	<p>Lease :</p> <p>a) Whether Due to COVID-19 there are any changes in the terms of lease arrangements or lessor is given some concession to the lessee with regard to lease payments.</p> <p>b) Whether such revised terms or concessions are considered while accounting for leases. Also ensure that, anticipated revisions are not being taken into account.</p> <p>c) If any compensation is given /declared by the Government to the lessor for providing concession to the lessee, it should be considered whether the same needs to be accounted for appropriately as per AS 19.</p>		

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	<p>d) Whether any assistance received from government are government grants under AS 12.</p> <p>e) Whether Entity has determined whether as a result of COVID -19, any lease arrangement has become onerous. Also same should be accounted for as per AS 29.</p>		
4.	<p>Revenue :</p> <p>Whether Entity has postponed recognition of revenue due to significant uncertainty of collection in view of the impact of COVID-19.</p> <p>Note: AS 9, Revenue Recognition requires Entity to disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.</p>		
5.	<p>Provisions, Contingent Liabilities and Contingent Assets :</p> <p>a) Whether Management has considered whether any of its contracts have become onerous as a result of COVID -19, for reasons such as the imposition of penalty due to delay in supply of goods or increase in cost of material, labour, etc. Note: The same should be accounted for as per AS 29.</p> <p>b) Whether Management has disclosed that it has assessed whether or not executory contracts are onerous due to adverse impact of COVID -19. If, the management is unable to assess whether some of the executory contracts have become onerous due to the inadequacy of information, whether the same is disclosed or not. Note: Onerous contracts are those contracts for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable costs under a contract are the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.</p>		

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6.	<p>Modifications or Termination of Contracts or Arrangements :</p> <p>Whether the entity has modified or terminated certain contracts which are within the scope of other ASs or Guidance notes highlighted below. Check whether entity has considered the specific requirements of these standards and guidance note to account for these modifications or terminations</p> <ul style="list-style-type: none"> a) AS 15 Employee benefits (revised 2005) b) Guidance Note on Accounting for Employee Share Based Payments c) Guidance Note on Accounting for Derivative Contracts (Issued 2015) d) AS 7 Construction Contracts (revised 2002) AS 9 Revenue Recognition) Guidance Note on Accounting for Real Estate Transactions (revised 2012) 		
7.	<p>Going Concern Assessment :</p> <ul style="list-style-type: none"> a) Whether the Financial statements are prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. b) Whether Management has assessed the impact of COVID-19, also the measures taken on its ability to continue as a going concern. c) Whether the impact of COVID- 19 after the balance sheet date is also considered in assessing whether going concern assumption is appropriate or not. d) Whether events occurring after the Balance Sheet date are indicating that the enterprise ceases be a going concern. <p>Note: It may be necessary for the management to evaluate whether it is proper to use the fundamental accounting assumption of going concern in the preparation of the financial statements</p>		

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8.	<p>Income Taxes :</p> <p>a) Check whether due to COVID-19, future profits and/or are affected which reduce the amount of deferred tax liabilities and/or create additional timing differences due to various factors.</p> <p>b) Whether Entity has deferred tax assets, if yes then whether Entity has reassessed forecast profits and the recoverability of deferred tax assets in accordance with AS 22, Accounting for Taxes on Income, considering the additional uncertainty arising from the COVID- 19 and the steps being taken by the management to control it.</p>		
9.	<p>Property Plant and Equipment (PPE) :</p> <p>a) Whether the useful life and residual life of PPE is revised on annual basis in accordance with the requirement of AS 10.</p> <p>b) Whether Due to COVID-19, PPE has remained underutilised or not utilised for a period of time. Note: It may be noted that the standards require depreciation charge even if the PPE remains idle</p> <p>c) Further, check whether COVID-19 impact has affected the expected useful life and residual life of PPE.</p> <p>d) Check whether the management has reviewed the residual value and the useful life of an asset due to COVID 19. And, if expectations differ from previous estimates, check whether appropriate accounting for the change(s) as an accounting estimate is in accordance with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.</p>		
10.	<p>Borrowing cost :</p> <p>a) Check whether development of an asset is suspended. If yes, whether capitalisation of interest is also suspended in accordance with above standard.</p>		

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	<p>b) The management may consider this aspect while evaluating the impact of COVID-19.</p>		
11.	<p>Post Balance Events (AS 4) :</p> <p>a) Whether any adjustments to assets and liabilities are made for events occurring after the balance sheet date that provide additional information materially affecting the determination of the amounts relating to conditions existed at the balance sheet date in accordance with AS 4, Contingencies and Events Occurring After Balance Sheet Date.</p> <p>b) It is to be ensured that such adjustments to assets and liabilities are not made for events occurring after the Balance Sheet date, if such events do not relate to conditions existing at the Balance Sheet date.</p> <p>c) Whether any disclosure is made in the report of the approving authority of those events occurring after the balance sheet date that represent material changes and commitments affecting the financial position of the enterprise.</p> <p>d) Whether Entity has disclosed significant recognition and measurement uncertainties that might have been created by the outbreak of the COVID -19 in measuring various assets and liabilities.</p> <p>e) Also whether disclosure for how they have dealt with the impact of COVID -19 on the financial position and financial performance of the entity.</p>		

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B. Impact on Audit of Financial Statements for the Financial Year ending 31st March, 2020 to be Taken care by STATUTORY AUDITOR.

1.	<p>Identifying and Assessing the Risk of Material Misstatements and Materiality in Planning and Performing an Audit :</p> <p>a) Is entity operating in geographies that are significantly exposed to the outbreak?</p> <p>b) Whether any impact on entity’s vendors/ bankers/ suppliers/ service providers who are in geographies that are exposed.</p> <p>c) Entity and auditor would have to evaluate additional risks arising from the following areas:</p> <ul style="list-style-type: none"> • Operational disruption resulting in any changes to the business model arising from significant drop in demand, reduced customer base, disruption in supply chain, employee's absence or work from home, geographical implications of group operations, public lock down etc. • Contractual non-compliance resulting in contractual breaches, additional security requirements or stressed asset valuations. • Liquidity and working capital issues given the reduced/ impaired ability to service debt or replenish working capital requirements due to possible lower cash flows • Asset valuations – downward asset valuations may trigger legal and compliance issues or lead to liquidity challenge <p>d) In applying SA 315 - Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment, whether the auditor has considered the implications of the above matters when obtaining an understanding of the entity and its environment, in light of its objectives, strategies and other business risks.</p>		
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	<p>e) Whether the auditor has discussed with TCWG and management whether the impact of the COVID-19 has been incorporated into their risk assessment processes and how they have identified and assessed the significance of the emerging business risks.</p> <p>f) Whether the auditor has considered if disclosures are required in the financial statements about the key assumptions made in reaching this conclusion.</p> <p>Note: If the auditor has revised the risk assessment as a result, audit materiality may also need to be revised as the audit progresses. Reference may be made to SA 320 - Materiality in Planning and Performing an Audit. Paragraphs 12 and 13 of SA 320.</p>		
2.	<p>Assessing Financial Impact and their Reasonable Estimation :</p> <p>a) Specific accounting issues following areas also to be considered (In addition to the detailed list of items of financial statements mentioned in the aforesaid checklist):</p> <ul style="list-style-type: none"> • Impairment of Goodwill, Property Plant and Equipment, Intangible Assets and Valuation & impairment of receivables, loans and advances. • Valuation of defined benefit plans and obligations – due to significant changes in employee strength or de-valuation of underlying plan assets. • Stock compensation performance conditions and obligations. • Contractual penalties. • Employment termination benefits. • Insurance recoveries related to business interruptions. • Onerous contract provisions. • Allowance for expected credit losses <p>b) Whether due to above items any significant accounting estimates has been made by the management.</p>		

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	<p>c) Whether significant assumptions including projected cash flows, used in these accounting estimates are affected by the impact of COVID- 19.</p> <p>d) Whether auditor has used procedures as prescribed by SA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures to check.</p> <ul style="list-style-type: none"> • The accounting estimates, including fair value accounting estimates, in the financial statements, whether recognised or disclosed, are reasonable; and • Related disclosures in the financial statements are adequate. <p>Note: The above procedures include how management has assessed the effect of estimation uncertainty or the risk assessment and audit evidence supporting these accounting estimates and related disclosures that may be affected by the impact of COVID-19 on the business of the entity and the economic environment.</p>		
3	<p>Valuation of Inventory on a date other than date of financial statements i.e. 31st March, 2020 :</p> <p>a) Whether Due to government-imposed shutdowns or due to unavailability of the client personnel, Entity has not conducted physical verification of inventory as on the date of the financial statements i.e. 31st March, 2020.</p> <p>b) If not conducted, whether management has informed auditor and those charged with governance the reason of not conducting the inventory counting.</p> <p>c) Whether the auditor has planned procedures depending on the underlying circumstances wherein the inventory count date could be advanced prior to the year- end or deferred to a date after the year-end.</p> <p>d) If physical inventory counting is conducted at a date other than the date of the financial statements, whether auditor has, in addition to the procedures required by paragraph 4, performed audit procedures to obtain audit evidence about</p>		

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	<p>whether changes in inventory between the count date and the date of the financial statements are properly recorded.</p> <p>e) Attending inventory counting at a later date from the date of the Financial statements whether Auditor has performed roll-back procedures to the balance sheet date, or,</p> <p>f) Where an inventory counting was conducted by the entity and attended by the auditor at an interim date before the date of the financial statements, whether auditor has used those Findings and performed roll-forward procedures to the balance sheet date.</p> <p>Note Roll-forward or roll-back procedures may also be a viable option where the entity has a continuous inventory counting system. Auditor Should also consider whether the time between the balance sheet date and the date of the inventory counting being performed reflects the appropriate assessment of the physical condition of inventory.</p> <p>Note: 1. It should be noted that auditors should not take a blanket approach to all their audit clients as there may be some industries in which business has not been adversely affected, and thus above mentioned approach may not be appropriate in such circumstances.</p> <p>2. Any approach to the audit of inventory involves the consideration of the quality of the entity’s inventory records and internal controls over inventory movements and records.</p> <p>g) Whether Auditor has exercised professional skepticism and considered whether inventory records and internal controls have deteriorated as a result of current events, including assessing any additional actions taken by the entity regarding its security. Accordingly, in case of Companies whether auditor has appropriately considered the impact of the aforesaid on their opinion on internal financial controls under section 143(3)(i) of the Companies Act, 2013.</p>		

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	<p>h) Whether for any practical reasons, the physical inventory counting has conducted at a date, or dates, other than the date of the financial statements. Whether same is done irrespective of whether management determines inventory quantities by an annual physical inventory counting or maintains a perpetual inventory system.</p> <p>i) Whether the conduct of physical inventory counting at a date, or dates, other than the date of the financial statements is appropriate for audit purposes to determine the effectiveness of the design, implementation and maintenance of controls over changes in inventory.</p> <p>j) Whether auditor has followed SA 330 which establishes requirements and provides guidance on substantive procedures performed at an interim date.</p> <p>k) Where a perpetual inventory system is maintained, whether management has performed physical counts or other tests to ascertain the reliability of inventory quantity information included in the entity's perpetual inventory records.</p> <p>l) Whether management or the auditor has identify differences between the perpetual inventory records and actual physical inventory quantities on hand; this may indicate that the controls over changes in inventory are not operating effectively.</p> <p>m) Relevant matters for consideration when designing audit procedures to obtain audit evidence about whether changes in inventory amounts between the count date, or dates, and the final inventory records are properly recorded includes</p> <ul style="list-style-type: none"> • Whether the perpetual inventory records are properly adjusted • Reliability of the entity's perpetual inventory records • Reasons for significant differences between the information obtained during the physical count and the perpetual inventory records 		

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	<p>n) If attendance at physical inventory counting is impracticable, whether the auditor has performed alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory.</p> <p>o) If it is not possible to do so, whether the auditor has modified the opinion in the auditor's report in accordance with SA 705(Revised).</p> <p>p) The implications of an inability to attend inventory counting on the auditor's opinion will depend on the quality and reliability of audit evidence obtained by performing alternative audit procedures.</p> <p>q) Where such alternative audit procedures provide sufficient appropriate audit evidence to conclude that inventory is free from material misstatement, the auditor's opinion need not be modified in respect of inventory.</p> <p>r) Whether attendance at physical inventory counting is impracticable. Due to factors such as the nature and location of the inventory, for example, where inventory is held in a location that may pose threats to the safety of the auditor.</p> <p>s) Where attendance is impracticable, whether auditor has followed alternative audit procedures, for example inspection of documentation of the subsequent sale of specific inventory items acquired or purchased prior to the physical inventory counting which may provide sufficient appropriate audit evidence about the existence and condition of inventory.</p>		
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	<p>t) The use of alternative audit procedures may include one or more of the following:</p> <ul style="list-style-type: none"> • <u>Using the work of internal auditor :</u> <p>in addition to complying with the requirements of SA 610(Revised), the external auditor shall also perform the following procedures:</p> <ul style="list-style-type: none"> - Understand and evaluate the competence, independence and objectivity of the internal auditor. - Obtain and evaluate the adequacy of the inventory physical verification instructions prepared and issued by the management to determine if the instructions provided are appropriate and comprehensive. - Issue instructions to the internal auditor on the procedures to be performed by the internal auditor, including indication of the samples selected by the external auditor for verifying inventory from the books to the floor. The external auditor shall also specify the sample size for verification by the internal auditor of inventory from the floor to the books and the indicative qualitative / quantitative factors that should be considered by the internal auditor when selecting the samples. - Issue a copy of the instructions issued by the management to the internal auditor and instruct the internal auditor - Issue any other instructions to the internal auditor regarding the inventory counting as may be deemed necessary considering the external auditor’s assessment of the risk and understanding of the entity’s business and operations. - Inform the internal auditor of the deliverables like inventory counting reports, memorandum of observations on the inventory counting, conclusions reached, etc. that are to be prepared and provided to the external auditor after Inventory counting. 		
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	<ul style="list-style-type: none"> • <u>Engaging other Chartered Accountant(s) to attend physical verification :</u> <p>The auditor in discussion with the management may appoint other Chartered Accountant(s), who is resident of the location of the entity’s warehouse/ factory/ inventory, to observe the physical counting.</p> <p>The auditor to issue instructions to the other Chartered Accountant(s) as described above. In addition the auditor, where feasible, may virtually participate in the observation of the physical verification being conducted by the management through video applications as this would enable him to assess the efficacy of the internal controls operating during the physical verification process for determining its impact on his audit procedures. Additionally, the auditor should also perform the following procedures:</p> <ul style="list-style-type: none"> - Inquiring for any relationships that may create a threat to objectivity of Chartered Accountant(s). - Determine the nature and extent of work to be assigned. - Communicate planned use of Chartered Accountant(s) with those charged with governance. - Obtain written agreements from the entity for the use of Chartered Accountant(s) and from Chartered Accountant(s) for providing direct assistance. <p>The auditor should direct, supervise and review the work performed by Chartered Accountant(s) providing direct assistance, including providing instruction / work program, including sample selection. For supervising the work of such Chartered Accountant(s), the auditor may use web or mobile based video-conferencing technologies (i.e., Microsoft Teams, Facetime, WhatsApp, and Zoom).</p>		
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	<ul style="list-style-type: none"> • <u>Use of technology in inventory counting :</u> Observe the inventory counting remotely via video call with the help of technology. Auditor to ensure the security on these applications. Also understand the technological and practical constraints to observing an inventory counting remotely. And perform the same procedures as required in case of physically attending the inventory counting. Virtual attendance If the entity intends to conduct a full inventory counting. • <u>Virtual Attendance :</u> <ul style="list-style-type: none"> - If the entity intends to conduct a full inventory counting, auditor may be able to attend virtually, for example using video call facilities. - This method of gathering audit evidence to be approached with caution as there are inherent weaknesses with this. For example, obsolete or damaged stock may be hidden from view and records-based alternative audit procedures may not detect this. This should be used only in circumstances wherein the inventory items can be identified with a unique reference number etc. - So that there are no chances of replacement of inventory during/ after inventory counting. - Further, auditor may carry out additional procedures to mitigate the increased risk which might include increasing sample sizes and following up on items tested at a later date. - Also, auditor should consider the previous experience while conducting inventory counting at an earlier date (e.g. inventory counting conducted at an interim date before the yearend). • <u>Leveraging technology to help with inventory counting :</u> If auditor is satisfied with the inventory counting process, they may be able to utilize technologies to observe these counts. 		

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	<p>Note: Auditor needs to ensure that there is some level of comfort that the videos are live feeds of client inventory locations, perhaps by confirming visually with key staff and using voice technology to have cameras moved to specified locations on command and direct certain boxes to be opened.</p> <ul style="list-style-type: none"> • <u>Inventory held by a third party :</u> <ul style="list-style-type: none"> - Where the entity has inventory under the custody and control of a third party, it may be possible, in accordance with SA 501 to place reliance on confirmation received from that third party regarding the quantities and condition of the inventory held on behalf of the entity. - However, in such cases, auditor would need to exercise professional skepticism and perform a careful evaluation of such confirmations since auditor themselves have not been able to attend the physical inventory counting. - Confirmations are obtained by the direct confirmation requests addressed to the auditor directly without the management being involved in the process. - In this regard, the auditor should read and understand the contract with the third party to determine if the contract specifies the responsibility of the third party to track and record the inventory of the entity separately and any consequential impact on the ability of the auditor to rely on such confirmation from the third party. • <u>Inventory in transit / cut-off procedures :</u> <ul style="list-style-type: none"> - Due to the lockdown situation, it might be possible that inventory purchased or sold might be locked up in transit. - Auditor should obtain suitable audit evidence regarding the location and condition of the inventory including documentary records about purchases/sales. 		

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	<p>- Appropriate cut-off procedures need to be employed to ensure appropriate quantities are considered in the inventory.</p>		
4.	<p>Audit of Consolidated Financial Statements where Components/ Component auditors are located in severely affected places :</p> <p>a) In a case where the parent's auditor is not the auditor of all the components included in the consolidated financial statements, whether the auditor of the consolidated financial statements has considered the requirements of SA 600.</p> <p>b) Whether the principal auditor has performed procedures to obtain sufficient appropriate audit evidence, that the work of the other auditor is adequate for the principal auditor's purposes, in the context of the specific assignment and also whether has considered the significant findings of the other auditor.</p> <p>c) While doing so, whether the principal auditor has considered how the impact of COVID-19 including travel bans, temporary suspension of business operations, government mandated leaves, etc., may affect risk assessments, materiality and the ability to obtain sufficient appropriate audit evidence in respect of components.</p> <p>d) If principal auditor is unable to obtain adequate information or reporting from the component auditors, whether the principal auditor has expressed a qualified opinion or disclaimer of opinion because there is a limitation on the scope of audit.</p> <p>e) In the current scenario, the alternative means or methods to obtain sufficient appropriate audit evidence by the principal auditor from component auditor are as follows :</p> <ul style="list-style-type: none"> • Can data be shared cross-border, to allow for principal auditor for review? Could files be loaded into a cloud-based portal and a login provided to the principal auditor? Local laws may restrict cross-border data 		

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	<p>sharing. If in doubt, advice should be sought on any local legal restrictions</p> <ul style="list-style-type: none"> • Can video calls and/or screen sharing software be used to discuss the work with the component auditor? • Can the component auditor be asked to complete a detailed questionnaire or clearance on the work they have performed? • Consider the outcome of any prior visits, including visits during planning or at an interim stage • What work of component auditor was previously reviewed? • Consider the past work of the component auditor – have there been significant errors or issues, or has work been performed to a high standard? • Can a more detailed memorandum be provided to the component auditor on what work should be done for purpose of group reporting? • What work can be done centrally by the Principal auditor’s team? <p>f) Where finance systems are integrated, check whether data is accessible for review by Principal Auditor.</p> <p>g) Whether Management is able to provide information directly to the Principal auditor to allow for testing. Each individual engagement will need to be assessed on a case by case basis.</p>		
5.	<p>Subsequent Events or Events after Reporting date :</p> <p>a) Whether the auditor has perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified</p> <p>Note: The auditor is not, however, expected to perform additional audit procedures on matters to which previously applied audit procedures have provided satisfactory conclusion.</p>		

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	<p>b) Whether auditor has performed the procedures required above so that they cover the period from the date of the financial statements to the date of the auditor's report, or as near as practicable thereto</p> <p>c) The auditor shall take into account the auditor's risk assessment in determining the nature and extent of such audit procedures, which shall include the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified. • Inquiring of management and, where appropriate, those charged with Governance as to whether any subsequent events have occurred which might affect the financial statements • Reading minutes, if any, of the meetings, of the entity's owners, management and those charged with governance, that have been held after the date of the financial statements and inquiring about discussed at any such meetings for which minutes are not yet available • Reading the entity's latest subsequent interim financial statements, if any <p>Note: When, as a result of the procedures performed as required above the auditor identifies events that require adjustment of, or disclosure in, the financial statements, the auditor shall determine whether each such event is appropriately reflected in those financial statements.</p>		
6.	<p>Going Concern :</p> <p>a) Whether Entity and audit team has considered the implications on the assessment of going concern and viability in the financial report and whether these circumstances has resulted in prolonged operational disruption which has significantly eroded the financial position of the entity or otherwise result in failure.</p>		

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	<p>Note: The Board of Directors of every company are required to make a statement in the Directors’ Responsibility Statement referred to in Section 134(5) of the Companies Act, 2013 that the directors had prepared the annual accounts on a going concern basis i.e. Whether the Board has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment. Whether the management has given significant consideration to this area, especially in the current environment. As the situation is changing very rapidly and uncertainties crop up, the assessment by the Board needs to be dynamic and reflect the facts considering the latest conditions and information.</p> <p>b) Whether there is timely and effective communication between the management and the auditor in ensuring that both are able to fulfil their respective responsibilities in relation to going concern aspect during these uncertain times.</p> <p>c) Implications of the COVID-19 pandemic for the auditor’s work related to going concern, including the following:</p> <ul style="list-style-type: none"> • Matters an auditor should consider for going concern assessment due to COVID-19 and inherent uncertainty; • Management and the auditor’s respective responsibilities in relation to going concern; • Period of going concern assessment; • Additional audit procedures required when events or conditions are identified which may cast significant doubt on the entity’s ability to continue as a going concern • Implications for the auditor’s report - auditor’s report may include (depending on the nature and circumstances of the entity): <ul style="list-style-type: none"> - “Material uncertainty related to going concern” paragraph (in accordance with SA 570(Revised)), where appropriate. - Modifications of the auditor’s opinion (i.e., qualified, 		
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	<p>adverse or disclaimer of opinion) where necessary.</p> <ul style="list-style-type: none"> - Enhanced or new key audit matters (where key audit matters are included in the auditor’s report). <p>d) Key questions/inquiries an auditor should consider due to COVID-19</p> <ul style="list-style-type: none"> • Has management performed a preliminary assessment of the entity’s ability to continue as a going concern? Whether auditor has discussed with management the impact of the COVID-19 outbreak, if any, on their assessment? • Were there interruptions in the supply and production cycle of the entity due to the COVID- 19 outbreak? If so, does management have a feasible recovery plan? Do these events or conditions cast significant doubt about the entity’s ability to continue as a going concern? Are these disruptions expected to continue for a foreseeable future and the action plan of the management to mitigate these risks? • Did the auditor note any contradiction in audit evidence provided by the entity (e.g., different assumptions or inputs used for different purposes)? • Are there any financial difficulties, resulting in additional credit risks, higher than usual bad debts and potential impairments and write-offs because of the COVID-19 outbreak? Has management considered these situations in their assessment of the entity’s ability to continue as a going concern? • Are there any potential issues related to debt, including debt covenants, which are applicable to the entity (for example, is the entity in compliance with debt covenants or do debt agreements contain material adverse change clauses or call provisions)? Has management considered these situations in their assessment of the entity’s ability to continue as a going concern? • Whether the auditor considered the risk of inadequate disclosures in the financial statements related to the COVID-19 outbreak and management’s recovery plans? 		

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	<p>e) Whether Auditor has considered whether the threat to liquidity as a result of supply/demand disruption presents a material uncertainty to the going concern status for the 12 months look forward period.</p> <p>f) SA 570(Revised) also requires auditor to consider events that may cast significant doubt on the entity's ability to continue as a going concern beyond the period of management's assessment.</p> <p>g) Whether Audit team has robustly assessed the going concern and viability risks relating to COVID-19 threat in compliance with SA 570(Revised). This includes evaluating whether there is adequate support for the assumptions underlying management's assessment and the consistency of these assumptions across the entity's business activities.</p> <p>h) The Management's assessment of the entity's ability to continue as a going concern involves making a judgment, at a particular point in time, about inherently uncertain future outcomes of events or conditions. The following factors are relevant to that judgment:</p> <ul style="list-style-type: none"> • The degree of uncertainty associated with the outcome of an event or condition increases significantly further into the future an event or condition or the outcome occurs. For that reason, most financial reporting frameworks that require an explicit management assessment specify the period for which management is required to take into account all available information. • The size and complexity of the entity, the nature and condition of its business and the degree to which it is affected by external factors affect the judgment regarding the outcome of events or conditions. • Any judgment about the future is based on information available at the time at which the judgment is made. Subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made. 		

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	<p>i) Whether auditor has obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern.</p> <p>j) These responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern.</p> <p>k) However, as described in SA 200, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to continue as a going concern.</p> <p>l) The auditor cannot predict such future events or conditions. Accordingly, the absence of any reference to a material uncertainty about the entity's ability to continue as a going concern in an auditor's report cannot be viewed as a guarantee as to the entity's ability to continue as a going concern.</p> <p>m) Whether due to several situations arising from the ongoing COVID-19 outbreak there is an impact on the assumption relating to going concern.</p> <p>n) Whether these impacts are severe and left management with no realistic alternative but to liquidate or cease operations.</p> <p>o) whether entity has scaled down their operations</p> <p>p) Whether management has made the assessment as to whether the entity is a going concern.</p>		

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	<p>q) In assessing whether the going concern assumption is appropriate, has management taken into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue.</p> <p>r) Whether such assessment is specific to the entity's circumstances</p> <p>s) In the current scenario, while making this assessment, whether management has prepared detailed forecasts which, are updated regularly till the financial statements are authorised for issue.</p> <p>t) Whether these forecasts captures potential scenarios and management's plans.</p> <p>u) Whether Management has considered the impact of COVID-19 on customers, suppliers and employees. For example, could the entity continue to operate if employees are not able to physically present, and how reduced cash flows impact its working capital requirements.</p> <p>v) Check if Management has considered whether the insurance policies taken by the entity cover the losses arising from the COVID -19</p> <p>w) The auditor will only be able to form a conclusion relating to going concern once management has made its own assessment</p> <p>x) Whether the auditor has inquired of management and TCWG as to what information is available about the future, and determine whether this has been appropriately considered as part of management's assessment.</p> <p>y) Whether auditor has applied similar considerations to those of management, as discussed above, in assessing the</p>		
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	<p>appropriateness of the going concern assumption. Whether this, for example, includes a detailed and robust review of up to date forecasts, cash flows, sensitivity analyses and reviews of COVID-19 contingency plans and impact assessments conducted by the management.</p> <p>z) If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, Whether the auditor has obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists.</p> <p>aa) Given the level of uncertainty and speed of increasing impact of COVID-19, whether audit team has critically considered the current position at the point of sign off as part of the subsequent events review right up to the point of signing the auditor's report, and whether further evidence and information by management is obtained, including updating financial models.</p> <p>bb) If the entity is disclosing in their subsequent events disclosures that an estimate of impact cannot be made due to the evolving situation, this may result in a material uncertainty on going concern within the audit report.</p>		
7.	<p>Evaluation of Work of Management's Expert :</p> <p>a) Since, lot of estimation is involved regarding the impact on the financial statements and assessment of going concern in the current circumstances, Whether management has taken the assistance of a management's expert (an expert in field other than accounting and auditing) to make such estimates or assessments.</p> <p>b) When information to be used as audit evidence has been prepared using the work of a management's expert, Check whether the auditor has, to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes,:</p>		

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	<ul style="list-style-type: none"> • Evaluated the competence, capabilities and objectivity of that expert ; • Obtained an understanding of the work of that expert; and • Evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion 		
8.	<p>Written Representations :</p> <p>a) Whether the auditor has obtained written representations from the management regarding the various estimates and assessments made by the management.</p> <p>b) Whether the written representations are exhaustive, containing the occurrence, method of measurement, completeness of transactions recorded and the disclosure of financial impacts in the financial statements.</p> <p>c) Whether Auditor has assessed whether any specific representations required to be obtained from the Management in relation to Managements' assessment of impact from the on-going outbreak of COVID-19 on the financial statements for the year ending 31st March, 2020 as well as for the reasonable foreseeable future.</p>		
9.	<p>Auditor's Opinion :</p> <p>a) Whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and</p> <p>b) Whether auditor has made report on the financial statements, and communicated as required by the SAs, in accordance with the auditor's findings.</p>		

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	<p>c) Whether Auditor has form an opinion on the financial statements considering the principles enunciated in SA 700(Revised), SA 705(Revised), and SA 706 (Revised).</p> <p>d) Since in the current scenario there are high probabilities of going concern being affected, existence of material uncertainties relating to going concern, Whether the principles enunciated in SA 570(Revised) has been considered particularly paragraphs 21 to 24 which prescribe manner of reporting in different situations.</p> <p>e) Whether the auditor has carefully assessed the situation applying professional judgement and professional skepticism and reported accordingly.</p> <p>f) Some illustrative Situations where the Auditor may need to express a modified opinion due to COVID-19 are cited below:</p> <ul style="list-style-type: none"> • The auditor is unable to obtain sufficient appropriate audit evidence relating to material component audited by the other auditor as per SA 600 due to COVID-19 pandemic. • The financial impact arising out of the COVID-19 outbreak are not accounted or reported or disclosed as per the prescribed Accounting Standards, in the financial statements. • If the auditor is unable to obtain sufficient appropriate audit evidence relating to the impact of COVID-19 in the financial statements and is of opinion that there are misstatements that are material to the financial statements. • The auditor has communicated misstatements to the management and those charged with governance relating to COVID-19 as per SA 450, Evaluation of Misstatements Identified during the Audit and the management or TCWG refuses to correct such misstatements that are individually or in aggregate, material to the financial statements. 		

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10.	<p>Internal Control Considerations :</p> <p>In case of companies, where the auditor have to issue a Report on the Internal Financial Controls over Financial reporting under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013, because of the impact of COVID-19, is there any additional considerations that need to be considered as below:</p> <ul style="list-style-type: none"> • Companies may need to implement new internal controls or modify existing internal controls over financial reporting • Evaluate whether any of the controls is not operating effectively on account of absence of concerned person due to illness/quarantine/ working from home/isolation/travel inaccessibility • Identify alternate controls • Company’s ability to close financial reporting process in time • Company’s ability to design and implement controls related to selection and application of Generally Accepted Accounting Principles (GAAP) for accounting and disclosure issues arising from COVID-19 		
11.	<p>External Confirmations :</p> <p>a) Whether the auditor has obtained more persuasive audit evidence because of the higher auditor's assessment of risk.</p> <p>b) Whether the auditor has increased the quantity of the evidence or obtained evidence that is more relevant or reliable, or both. For example, the auditor may place more emphasis on obtaining evidence directly from third parties or obtaining corroborating evidence from a number of independent sources.</p> <p>c) SA 330 also indicates that external confirmation procedures may assist the auditor in obtaining audit evidence with the high level of reliability that the auditor requires to respond to significant risks of material misstatement, whether due to fraud or error.</p> <p>d) Whether auditor has designed confirmation requests to</p>		

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	<p>obtain additional corroborative information as a response to address the assessed risks of material misstatement, whether due to fraud at the assertion level.</p> <p>e) SA 500 indicates that corroborating information obtained from a source independent of the entity, such as external confirmations, may increase the assurance the auditor obtains from evidence existing within the accounting records or from the representations made by the management.</p> <p>f) SA 505, External Confirmations provides guidance regarding the process of seeking external confirmations and evaluating the results of the process.</p> <p>g) Whether due to the impact of COVID-19 is it more likely that this key audit procedure which provides significant independent audit evidence may be ineffective due to the inadequate responses or non-responses to the confirmation request sent out.</p>		
12.	<p>Results of the External Confirmation Procedures :</p> <p>a) Whether the auditor has identified factors that give rise to doubts about the reliability of the response to a confirmation request.</p> <p>b) If yes then whether the auditor has obtained further audit evidence to resolve those doubts.</p> <p>c) If the auditor determines that a response to a confirmation request is not reliable, then whether auditor has evaluated the implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing and extent of other audit procedures</p> <p>d) In the case of each non-response, whether the auditor has performed alternative audit procedures to obtain relevant and reliable audit evidence.</p>		

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	<p>e) Alternative audit procedures the auditor may perform includes :</p> <ul style="list-style-type: none"> • For accounts receivable balances – examining specific subsequent cash receipts, shipping documentation, and sales near the period-end • For accounts payable balances – examining subsequent cash disbursements or correspondence from third pares, and other records, such as goods received notes <p>f) Whether the nature and extent of alternative audit procedures are affected by the account and assertion in question.</p> <p>Note: A non-response to a confirmation request may indicate a previously unidentified risk of material misstatement. In such situations, the auditor may need to revise the assessed risk of material misstatement at the assertion level, and modify planned audit procedures, in accordance with SA 315. For example, fewer responses to confirmation requests than anticipated, or a greater number of responses than anticipated, may indicate a previously unidentified fraud risk factor that requires evaluation in accordance with SA 240.</p>		
13.	<p>Risk of Fraud :</p> <p>a) Whether the auditor has maintained professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity’s management and those charged with governance</p> <p>Note: Paragraph 5 of SA 240 states that “An auditor conducting an audit in accordance with SAs is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial</p>		

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	<p>statements may not be detected, even though the audit is properly planned and performed in accordance with the SAs</p> <p>b) Whether the impact of COVID-19 on businesses is very significant such that there are pressures on management to meet performance targets or market expectations.</p> <p>c) If yes, then this raises the risk of the likelihood of fraud in the financial statements to a higher level whether the auditor has exercised a much higher degree of skepticism and carried out extended audit procedures to eliminate the possibility of fraud or material error in the financial statements</p> <p>d) In carrying out the audit for the financial year ending 31st March, 2020 whether the auditor is particularly mindful of the heightened risk of fraud and complied with the guidance provided by SA 240, “The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements”.</p>		