

Guidance Note on Audit of Capital and Reserves

The Auditing and Assurance Standards Board of Institute of Chartered Accountants of India (ICAI) has issued Guidance Note on Audit of Capital and Reserves in order to keep the members abreast in resolving the technical intricacies involved in auditing of capital and reserves. The Guidance Note discusses the auditing aspect of capital and reserves separately. It deals in detail, with different principle related aspects dealing with the audit of capital and reserves including implications of key legal requirements. This Guidance Note not only gives special consideration to companies but partnerships and sole proprietary concerns as well. The Guidance Note also incorporates circulars issued by the Government and other regulatory authorities wherever applicable.

The Guidance Note on Audit of Capital and Reserves discusses significant aspects of their audit such as evaluation of internal controls and verification, the audit evidence, the auditing procedure to be followed in case of issue of shares for consideration other than cash and in case of issue of Sweat Equity shares etc. The Guidance Note also deals with various types of reserves and their accounting treatment while discussing auditing aspects. It also lays down the documentation requirements for the audit of capital and reserves.

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