



CA. *Ajay Mehta* B.Com., F.C.A.
Chartered Accountant

Date: 12/05/2008

To,
Paramount Builders,
5-4-187/3&4 II Floor,
Soham Mansion MG Road,
Secunderabad.

Kind Atten: Mr. Soham Modi

Sub: Tax Audit for FY.2007-08.

We have commenced audit of accounts for FY: 2007-08 and our observations (Interim) are as under:

1. Total payments made to Krishna Prajapathi during the year is Rs.19,36,908/-. The contractor appears to be an individual. The TDS is deducted @ 2.06%. Since payment exceeds 10 lakhs in the year the surcharge @ 10% is also to be added to the basic rate. Thus the effective TDS rate has to be 2.266%. Further the credit entry for bills passed of Rs.17,57,250/- is recorded only in the month of February'2008. Why bills are not passed month to month? Summarized account balance statement for the year is enclosed for review.
2. In the case of other three contractors, namely,
 - O Vijaya Lakshmi (Total debits Rs.14,30,369/-)
 - T Murthy (Total debits Rs.11,80,403/-)
 - Bikshapathi (Total debits Rs.28,35,152)also appear to be individuals. The TDS has been deducted @ 2.06%. Since payment exceeds 10 lakhs in the year the surcharge @ 10% is also to be added to basic rate. Thus the effective TDS rate has to be 2.266%. Summarized account balance statement for the year is enclosed for review.
3. Total payment to Satyanarayana during the year is Rs.37,58,333/- the contractor appears to be an individual. The TDS is deducted @ 2.06%. Since payment exceeds 10 lakhs in the year the surcharge @ 10% is also to be added to the basic rate. Thus the effective TDS rate has to be 2.266%. Further the credit entry for bills have not been passed. Summarized account balance statement for the year is enclosed for review.
4. No TDS has been made on payments on Varna Media. Total amount involved is Rs.1,14,381/-. TDS @2.06% is required to be made. Payment made to same party in other group entities is being made after deducting TDS. Further the account shows closing debit balance of Rs.2950/- . [Rs.2250/- is towards opening debit and Rs.400/- excess paid during the year.] Copy of ledger account for review enclosed.



Failure to deduct TDS at appropriate rates will result in disallowance of entire expenditure U/s 40(a) (ia).

5. The supplier bills, in cases where only part payment are approved and released, are not accounted fully at the time of receipt of the bill. Instance of such cases are as under:

- Bill no: 0113 dated 25.05.07 Of Verna Media of Rs.3500/- has been accounted on two dates namely 27.07.2007 for Rs.2600/- and on 29.09.2007 for Rs.900/-.
- Bill no: 741 dated 18.09.07 of Regal Fitness for Rs.2,37,349/- has been accounted on two dates namely; on 20.11.2007 for Rs.1,42,000/- and on 19.01.2008 for Rs.95,349/-.
- Bill no: R1/0708/0594 dated 03.12.2007 for Rs. 6,525/- has been accounted on two dates namely; on 01.12.2007 for Rs.3262/- and 27.12.2007 Rs.3262/-.

The above accounting principle is not proper. The liability has to be created in full once the bill is passed. The terms of payment should not be considered while creating a liability. Above such journal entries are enclosed for reference. However during the course of audit the same were rectified.

6. The quality of data entry is poor and needs to be improved upon. The narration on many occasions are not appropriate, the heads of accounts are not consistent. Many new account heads are being created which results in 'bulky' ledger & trial balance. The illustrative account heads as given below are created:

- Equipment Grinding machine
- Equipment Generator
- Equipment Sand Sieving Machine
- Equipment Platform Trolley
- Equipment Vacuum cleaner
- Equipment Television .

7. Observation sheets recording wrong heads of accounts is enclosed for reference. Few such instances are as follows:

- Purchase of bamboos thadkas, sponges, Bombay brooms, etc, are being debited to Tools a/c, it should be debited to Sundry Purchases a/c
- Purchase of dustbins, yellow cloth, Collin, dettol, etc, are being debited to Consumables a/c, it should be debited Office Maintenance a/c
- Purchase of toner cartridge, toner refill, etc, are being debited either to Equipment a/c or to Printing & Stationery a/c or to printer a/c. It should be debited to computer repairs and maintenance a/c.
- Purchase of Windows XP is debited to Consumables a/c; it should be debited to Computer a/c.

However in the course of audit the rectification were made.



8. Few instances of poor data entry are given below:
- Journal entry passed debiting and crediting the same head of account (JV no.09102007 8 for Rs.43,200/-) Building Material a/c.
 - Journal entry is passed debiting Misc. expenses a/c and crediting Office Maintenance (JV no.08092007 24 for Rs.4268/-) .The correct treatment would be debiting Car hire charges and crediting Premier Rent A Cab Pvt Ltd.
 - Journal entry passed by debiting Hardware Material and crediting Cement a/c (JV no.24092007 12 for Rs.4500/-).The correct entry should have been Cement a/c debit and credit to Ravi Cement Industries.

9. In course of audit we have been given to understand that the following procedure is adopted for accounting of purchases of various materials::

The supplier bills are verified and approved by the purchase department and journal voucher is also prepared by purchase department. The account head to be debited is adopted from the description given in PO. All the supporting such as purchase bill, PO's, etc, together with journal voucher is forwarded to accounts department. The data entry is made by account department and head of accounts are being created as narrated in journal voucher prepared by purchase department. The accounts department needs to follow consistent head of accounts irrespective of head of accounts narrated by the purchase department.

10. It is observed that almost every week there are local purchases of bricks through contractors. These purchases of bricks are not supported by any external documentary evidence.
11. We could not verify receipts from customers with the receipts issued as certain series of receipts books are not available with the accounts department.

The above issues may be resolved at the earliest for conclusion of audit and finalization of accounts.

I have also given list of requirements /details to accounts which are to be submitted for audit.

Thanking You,

Yours faithfully,

(AJAY MEHTA)

Chartered Accountant

PARAMOUNT BUILDERS 2007-2008

Account Balance Statement

Account selection : Selected Accounts

(All amounts in Rs.)

Account	Month	Current Year (2007-2008)		Running Balance	Previous Year		Balance
		Debit	Credit		Debit	Credit	
Krishna Prajapathi on account	Opening Balance			0.00 Dr			
	June 2007	71,897.00	0.00	71,897.00 Dr			
	July 2007	1,44,454.00	0.00	2,16,351.00 Dr			
	August 2007	1,59,932.00	0.00	3,76,283.00 Dr			
	September 2007	2,81,375.00	0.00	6,57,658.00 Dr			
	October 2007	1,46,557.00	0.00	8,04,215.00 Dr			
	November 2007	1,36,612.00	0.00	9,40,827.00 Dr			
	December 2007	2,55,987.00	0.00	11,96,814.00 Dr			
	January 2008	1,50,286.00	0.00	13,47,100.00 Dr			
	February 2008	2,47,427.00	17,57,250.00	1,62,723.00 Cr			
	March 2008	3,42,381.00	0.00	1,79,658.00 Dr			
	Total	19,36,908.00	17,57,250.00				

PARAMOUNT BUILDERS 2007-2008
Account Balance Statement

(All amounts in Rs.)

Account selection : Selected Accounts

Account	Month	Current Year (2007-2008)		Running Balance	Previous Year		Balance
		Debit	Credit		Debit	Credit	
O. Vijaya Lakshmi on account	Opening Balance			16,541.00 Dr			
	April 2007	2,97,209.00	3,48,340.00	34,590.00 Cr			
	May 2007	91,480.00	56,671.00	219.00 Dr			
	June 2007	3,90,220.00	4,60,426.00	69,987.00 Cr			
	July 2007	2,01,610.00	1,29,806.00	1,817.00 Dr			
	August 2007	240.00	14,659.00	12,602.00 Cr			
	September 2007	270.00	0.00	12,332.00 Cr			
	October 2007	290.00	0.00	12,042.00 Cr			
	November 2007	77,942.00	53,795.00	12,105.00 Dr			
	December 2007	1,26,224.00	13,419.00	1,24,910.00 Dr			
	January 2008	92,718.00	1,02,681.00	1,14,947.00 Dr			
	February 2008	1,10,080.00	1,50,316.00	74,711.00 Dr			
	March 2008	42,086.00	42,997.00	73,800.00 Dr			
	Total	14,30,369.00	13,73,110.00				

PARAMOUNT BUILDERS 2007-2008
Account Balance Statement

31 Mar, 2008

Account selection : Selected Accounts

(All amounts in Rs.)

Account	Month	Current Year (2007-2008)		Running Balance	Previous Year		Balance
		Debit	Credit		Debit	Credit	
T.Murthy on account	Opening Balance			8,710.00 Cr			
	April 2007	1,11,530.00	1,27,170.00	24,350.00 Cr			
	May 2007	79,870.00	30,640.00	24,880.00 Dr			
	June 2007	1,73,028.00	2,20,221.00	22,313.00 Cr			
	July 2007	93,990.00	80,600.00	8,923.00 Cr			
	August 2007	2,21,775.00	2,60,894.00	48,042.00 Cr			
	September 2007	1,97,660.00	1,98,205.00	48,587.00 Cr			
	October 2007	1,99,725.00	1,66,111.00	14,973.00 Cr			
	November 2007	73,777.00	87,852.00	29,048.00 Cr			
	December 2007	25,000.00	0.00	4,048.00 Cr			
	January 2008	4,048.00	0.00	0.00 Dr			
	Total	11,80,403.00	11,71,693.00				

PARAMOUNT BUILDERS 2007-2008
Account Balance Statement

31 Mar, 2008

Account selection : Selected Accounts

(All amounts in Rs.)

Account	Month	Current Year (2007-2008)		Running Balance	Previous Year		Balance
		Debit	Credit		Debit	Credit	
Bikshapathi on account	Opening Balance			0.00 Dr			
	April 2007	1,392.00	0.00	1,392.00 Dr			
	May 2007	93,311.00	88,353.00	6,350.00 Dr			
	June 2007	1,84,180.00	2,21,923.00	31,393.00 Cr			
	July 2007	1,28,598.00	2,10,505.43	1,13,300.43 Cr			
	August 2007	3,56,122.00	3,03,345.00	60,523.43 Cr			
	September 2007	4,18,713.00	3,93,620.00	35,430.43 Cr			
	October 2007	2,97,859.00	4,37,201.00	1,74,772.43 Cr			
	November 2007	4,88,614.00	3,73,907.00	60,065.43 Cr			
	December 2007	2,54,667.00	3,39,085.00	1,44,483.43 Cr			
	January 2008	3,34,119.00	2,23,275.00	33,639.43 Cr			
	February 2008	1,54,983.00	1,55,446.25	34,102.68 Cr			
	March 2008	1,22,594.00	1,49,910.36	61,419.04 Cr			
	Total	28,35,152.00	28,96,571.04				

PARAMOUNT BUILDERS 2007-2008
Account Balance Statement

(All amounts in Rs.)

Account selection : Selected Accounts

Account	Month	Current Year (2007-2008)		Running Balance	Previous Year		Balance
		Debit	Credit		Debit	Credit	
Satyanarayana on account	Opening Balance			7,68,299.00 Dr			
	April 2007	1,85,689.00	47,510.00	9,06,478.00 Dr			
	May 2007	2,29,619.00	0.00	11,36,097.00 Dr			
	June 2007	3,45,420.00	0.00	14,81,517.00 Dr			
	July 2007	4,59,916.00	65,520.00	18,75,913.00 Dr			
	August 2007	3,66,292.00	0.00	22,42,205.00 Dr			
	September 2007	3,53,092.00	0.00	25,95,297.00 Dr			
	October 2007	3,09,127.00	0.00	29,04,424.00 Dr			
	November 2007	3,21,234.00	0.00	32,25,658.00 Dr			
	December 2007	3,27,602.00	0.00	35,53,260.00 Dr			
	January 2008	2,84,850.00	0.00	38,38,110.00 Dr			
	February 2008	3,37,321.00	0.00	41,75,431.00 Dr			
	March 2008	2,38,171.00	0.00	44,13,602.00 Dr			
	Total	37,58,333.00	1,13,030.00				

PARAMOUNT BUILDERS 2007-2008
Ledger for the period 01 Apr, 2007 to 31 Mar, 2008

31 Mar, 2008

Group : Liabilities

Account selection : Selected transacted Accounts

(All amounts in Rs.)

Document		Date	Number	Narration	Debit	Credit	Running Balance
Date	Number						
Verna Media				Opening Balance			2,550.00 Dr
27 Jul, 2007	JV 27072007	3		Being amount credited towards purchase of Stationary against bill no-0113 Dt-25/5/07		2,600.00	50.00 Cr
28 Jul, 2007	SBP B28072007	9		Being cheque issued to Varna Media towards purchase of Inserts against bill no.0113, dt:25/05/07.	2,600.00		2,550.00 Dr
29 Sep, 2007	JV 29092007	3		Being amount credited to Varna Media towards Floor plan against bill no.0113 dt.25.05.07		900.00	1,650.00 Dr
	SBP B29092007	12		Being cheque issued to Varna Media towards plans against bill no.113,dt.25/05/07	900.00		2,550.00 Dr
03 Nov, 2007	SBP B03112007	2		Being chq issued to varna media towards purchase of stationery against bill no 1003/07-08 dt 18/10/07	4,400.00		6,950.00 Dr
	SBP B03112007	3		Being chq issued to varna media towards purchase of stationery against bill no 1002/07-08 dt 18/10/07	7,051.00		14,001.00 Dr
	SBP B03112007	4		Being chq issued to varna media towards purchase of stationery against bill no 1001/07-08 dt 18/10/07	6,240.00		20,241.00 Dr
06 Nov, 2007	JV 06112007	37		Being Amount Credited Towards purchase of stationery against bill no 10033/07-08 dt 18/10/07		4,400.00	15,841.00 Dr
	JV 06112007	38		Being Amount Credited Towards purchase of stationery against bill no 1002/07-08 dt 18/10/07		7,051.00	8,790.00 Dr
	JV 06112007	39		Being Amount Credited Towards purchase of stationery against bill no 1001/07-08 dt 18/10/07		6,240.00	2,550.00 Dr
11 Jan, 2008	SBP B11012008	8		Being chq issued to verna medis towards	44,570.00		47,120.00 Dr

PARAMOUNT BUILDERS 2007-2008
Ledger for the period 01 Apr, 2007 to 31 Mar, 2008

31 Mar, 2008

Group : Liabilities

(All amounts in Rs.)

Document		Date	Number	Narration	Debit	Credit	Running Balance
Date	Number						
				purchase of stationery against WO no 811 dt 11/1/08			
02 Feb, 2008	SBP B02022008	5		Being chq issued towards purchase of printing & stationery against bill no 1010 dt 22/01/08	44,320.00		91,440.00 Dr
04 Feb, 2008	JV 04022008	7		Being amount credited towards purchase of printing & stationery against bill no 1010 dt 22/01/08		88,490.00	2,950.00 Dr
16 Feb, 2008	SBP B16022008	23		Being chq issued towards purchase of leaflets against bill no 1017 dt 12/02/08	4,700.00		7,650.00 Dr
19 Feb, 2008	JV 19022008	24		being amount credited to varna media and debited to printing and stationery towards purchase of leaf lets again st bill no 1012 dt 12/02/08		4,700.00	2,950.00 Dr
				Total/Closing Balance	1,14,781.00	1,14,381.00	2,950.00 Dr

PARAMOUNT BUILDERS 2007-2008

31 Mar, 2008

Journal for the period 01 Apr, 2007 to 31 Mar, 2008

(All amounts in Rs.)

Document Number	Account/Narration	Debit	Credit
JV 20112007 19	31/10/07 Aeran Steel Corporation Being Amount Credited Towards purchase of angles against bill no 737 dt 22/10/07 Steel Being Amount Credited Towards purchase of angles against bill no 737 dt 22/10/07 Regal fitness Being Amount Credited Towards purchase of sports items against bill no 741 dt 18/09/07 Equipment for sports Being Amount Credited Towards purchase of sports items against bill no 741 dt 18/09/07 Shivshakti Steel Tubes Being Amount Credited Towards purchase of pipes against bill no 8338 dt 07/11/07 Pipes Being Amount Credited Towards purchase of pipes against bill no 8338 dt 07/11/07 TDS Payable Being tds deducted from G sriniva s towards on account payment 2.06%52344/- G.Srinivas On account Being tds deducted from G sriniva s towards on account payment 2.06%52344/-	32,486.00	32,486.00
JV 20112007 20	Being Amount Credited Towards purchase of sports items against bill no 741 dt 18/09/07 Equipment for sports Being Amount Credited Towards purchase of sports items against bill no 741 dt 18/09/07 Shivshakti Steel Tubes Being Amount Credited Towards purchase of pipes against bill no 8338 dt 07/11/07 Pipes Being Amount Credited Towards purchase of pipes against bill no 8338 dt 07/11/07 TDS Payable Being tds deducted from G sriniva s towards on account payment 2.06%52344/- G.Srinivas On account Being tds deducted from G sriniva s towards on account payment 2.06%52344/-	1,42,000.00	1,42,000.00
JV 20112007 21	Being Amount Credited Towards purchase of pipes against bill no 8338 dt 07/11/07 Pipes Being Amount Credited Towards purchase of pipes against bill no 8338 dt 07/11/07 TDS Payable Being tds deducted from G sriniva s towards on account payment 2.06%52344/- G.Srinivas On account Being tds deducted from G sriniva s towards on account payment 2.06%52344/-	86,450.00	86,450.00
JV 20112007 22	Being Amount Credited Towards purchase of pipes against bill no 8338 dt 07/11/07 TDS Payable Being tds deducted from G sriniva s towards on account payment 2.06%52344/- G.Srinivas On account Being tds deducted from G sriniva s towards on account payment 2.06%52344/-	1,078.00	1,078.00
Date Total		13,21,601.00	13,21,601.00
22 Nov, 2007	TDS Payable Being tds deducted from O vijaya laxmi towards on account payment for RS15517/-@2.06% O. Vijaya Lakshmi on account Being tds deducted from O vijaya laxmi towards on account payment for RS15517/-@2.06% TDS Payable Being tds deducted from Bikshapathi towards on account payment for RS100000/-@2.06% Bikshapathi on account	320.00	320.00
JV 22112007 1		2,060.00	2,060.00

BANK VOUCHER NO 257349

PARAMOUNT BUILDERS 2007-2008
Journal for the period 01 Apr, 2007 to 31 Mar, 2008

31 Mar, 2008

(All amounts in Rs.)

Document Number	Account/Narration	Debit	Credit
	T. Ramanamma on account Being tds deducted @2.06%	185.00	
	TDS Payable		42.00
	Being tds deducted @2.06%	42.00	
	Hire charges - Ranadheer Goud Being tds deducted @2.06%		150.00
	Misc Income		150.00
	Being room rent deducted	150.00	
	Hire charges - Ranadheer Goud Being room rent deducted		31.00
	TDS Payable		31.00
	Being tds deducted @2.06%	31.00	
	Hire Charges - O.Venkatesh Being tds deducted @2.06%		87.00
	TDS Payable		87.00
	Being tds deducted @2.06%	87.00	
	Hire charges - Alivelu manga Being tds deducted @2.06%		2,00,000.00
	Vasavadatta Cement		2,00,000.00
JV 19012008 7	Being amount credited towards purchase of cement against bill no 04873/04857/04859/04836/04844 dt 24/12/07		2,00,000.00
	Cement	2,00,000.00	
	Being amount debited towards purchase of cement against bill no 04873/04857/04859/04836/04844 dt 24/12/07		95,349.00
JV 19012008 8	Regal fitness Being amount credited towards purchase of sports equipment against bill no 741 dt 19/09/07		95,349.00
	Equipment for sports	95,349.00	
	Being amount debited towards purchase of sports equipment against bill no 741 dt 19/09/07		2,25,680.00
	Manikgarh cement		2,25,680.00
JV 19012008 9	Being amount credited towards purchase of cement against bill no 00775 dt 09/12/07		2,25,680.00
	Cement	2,25,680.00	
	Being amount Debited towards purchase of cement against bill no 00775 dt 09/12/07		

PARAMOUNT BUILDERS 2007-2008
Journal for the period 01 Apr, 2007 to 31 Mar, 2008

31 Mar, 2008

(All amounts in Rs.)

Document Number	Account/Narration	Debit	Credit
	towards loan deduction Bikshapathi on account Being TDS @ 2.06% on Loan Amount of rs 15,000/-	316.00	
	TDS Payable Being TDS @ 2.06% on Loan Amount of rs 15,000/-		316.00
Date Total		90,587.00	90,587.00
29 Sep, 2007			
JV 29092007 1	asscent Technologies Being amount credited to Asscent Technologies towards AMC for 3 monthsQ1		1,500.00
	asscent Technologies Being amount credited to Asscent Technologies towards AMC for 3 monthsQ1		1,500.00
	Computer Repairs & Maintenance	3,000.00	
	Being amount credited to Asscent Technologies towards AMC for 3 monthsQ1		
JV 29092007 2	TDS Payable Being tds deducted from krishna haking toward on account @2.06% for 510/-		11.00
	Krishna / Haking on account Being tds deducted from krishna haking toward on account @2.06% for 510/-	11.00	
JV 29092007 3	Varna Media Being amount credited to Varna Media towards Floor plan against bill no.0113 dt.25.05.07		900.00
	Printing & Stationery Being amount credited to Varna Media towards Floor plan against bill no.0113 dt.25.05.07	900.00	
JV 29092007 4	Industrial Electricals Being amount credited towards purchase of CFL fittings against bill no.3452 dt. 21/09/07		1,728.00
	Electrical Material Being amount credited towards purchase of CFL fittings against bill no.3452 dt. 21/09/07	1,728.00	
JV 29092007 5	Saradhi Ads		180.00

PARAMOUNT BUILDERS 2007-2008
Bank Book for 'HDFC bank' for the period 01 Oct, 2007 to 31 Dec, 2007

(All amounts in Rs.)

Document Number	Account / Narration	Cheque Details	Receipts	Payments	Allocation Amount	Running Balance
SBP B01122007 53	building material Baby Chips Being chq issued to veerabhadra enterprises towards purchase of building material	# 958586 dt. 01 Dec, 2007		3,953.00	6,658.00 Dr	13,78,437.30 Cr
SBP B01122007 54	Metal / Stone Dust Being chq issued to vishwa karma towards purchase of building material Bricks / Hollow Blocks / Red Bricks	# 958587 dt. 01 Dec, 2007		14,560.00	3,953.00 Dr	13,92,997.30 Cr
SBP B01122007 55	Being chq issued to T. ram babu towards hirecharges Hire Charges - T. Ram Babu Being chq issued towards purchase of stationery against bill no 631 dt 12/11/07	# 958588 dt. 01 Dec, 2007		12,617.00	14,560.00 Dr	14,05,614.30 Cr
SBP B01122007 56	Venktramana Binding Works Being chq issued towards purchase of steel against bill no 1061 & 1064 dt	# 958589 dt. 01 Dec, 2007		888.00	12,617.00 Dr	14,06,502.30 Cr
SBP B01122007 57	Akash Steels Being chq issued towards purchase of furniture against bill no 312	# 958590 dt. 01 Dec, 2007		5,98,265.00	888.00 Dr	20,04,767.30 Cr
SBP B01122007 58	Chandra s Being chq issued to insta exhibition charges Exhibition Charges Total / Closing Balance	# 958580 dt. 01 Dec, 2007		24,375.00	5,98,265.00 Dr	20,29,142.30 Cr
SBP B01122007 59			3,13,571.00	3,262.00	24,375.00 Dr	20,32,404.30 Cr
				12,31,511.00	3,262.00 Dr	20,32,404.30 Cr