

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of KERALA BOOKS AND PUBLICATIONS SOCIETY ("the Society"), which comprise the Balance Sheet as at March 31, 2014, and the Income and Expenditure Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Society in accordance with the provisions of the Memorandum of Association and Rules and Regulations, 1976 amended from time to time, of the Society and Accounting Standards issued by the Institute of Chartered Accountants of India. This responsibility includes the design, implementation and maintenance of internal control 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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 audit opinion.

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## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) In the case of the Income and Expenditure Statement, of the Excess of Income over Expenditure for the year ended 31<sup>st</sup> March, 2014.

## Emphasis of Matter

We report the following Reservations/Inconsistencies:

We draw attention to the following Significant Accounting Policies to the financial statements of the Society. Our opinion is not qualified in respect of this matter.

1. Significant Accounting Policy No. E(3) with regard to Non-measurement of the expected cost of accumulating compensated absences of employees (Leave Surrender Salary) on accrual basis, which constitutes a departure from the Accounting Standards, issued by ICAI (AS-15 Employee Benefits)

We further draw the attention to the following Reservations/Inconsistencies. Our opinion is qualified in respect of these matters:

1. Non-confirmation of debtors, creditors and advances, the consequent effect on the financial statements is not ascertainable.
2. In our opinion, the Society's internal audit system requires to be streamlined and strengthened, considering the size and nature of its business.
3. Note No. 6 (a), with regard to non provision for bad debts to the extent of Rs. 194.04 Lakhs during the year.
4. Note No.7, with regard to unrecognized income from text book office due to non constitution of technical committee and delay in rate revision. The effect of this item in the financial statements cannot be quantified and no managerial estimates are available in this regard.

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5. Note No. 8, with regard to non reversal of excess liability provision to the tune of Rs. 46.81 lakhs on account of utilization of printing paper supplied by Government of Kerala, in prior years.
6. Note No. 23, with regard to non-adherence to the rules and regulations of the society for the refund of EMD and Security Deposit.
7. Note No. 25, with regard to TDS receivable for earlier financial years Rs. 54,23,675.00, as the society has not claimed in the Income Tax returns for the respective years, the recoverability of such amounts cannot be ascertained.

For PAULSON & COMPANY  
Chartered Accountants

Sd/-

C.A K.P. PAULSON  
L.L. B, FCA, DISA, CISA (USA), CA (UK)  
Membership No. 21855; FR No. 002620S  
PARTNER

Place: Kochi-682 017,  
Date: 10-11-2014