IPO READINESS

Fixed Assets and Inventory

A working checklist for the two areas that are least attended to while a company is growing, and most heavily examined when it files.

Covers: fixed asset registers, identification and tagging, physical verification programmes, FAR reconciliation, CWIP, inventory counts, cut-off, and the evidence a statutory auditor needs in order to report under CARO 2020.

TagMyAssets

Tag Savvy Private Limited

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Next review due: August 2027, or earlier on amendment to CARO 2020, Schedule III or the applicable Ind AS.

Version note: v1.1 corrects the wording of clauses 3(i)(c), 3(i)(d), 3(i)(e) and 3(ii)(b) in the summary table at section 2, and the description of the internal financial controls reporting requirement at Part D, to align them with the text of the Order and of section 143(3)(i) of the Companies Act, 2013. No substantive guidance has changed.

Who this is for

The checklist is written for the people who are asked to produce, examine or rely on fixed asset and inventory records during a public issue:

- Chief financial officers and finance controllers at companies preparing to file
- Internal auditors and heads of internal audit
- Statutory auditors and reporting auditors working on restated financial statements
- IPO advisors, transaction advisory teams and merchant bankers conducting financial due diligence
- Plant, stores and administration heads who hold custody of the assets being counted

How long this takes

A first pass through the checklist takes roughly half an hour, and will tell you where you stand. Closing what it opens takes considerably longer — several of the items, particularly title deeds, quarter-by-quarter reconciliation of bank stock statements and project-wise CWIP ageing, cannot be answered from memory and will need to be researched. That gap between reading and remedying is the point of the document, and it is the reason to begin well before the year in which the company decides to file.

Contents

1. Why these two areas surface late

While a company is growing, the fixed asset register is usually maintained for one purpose: to compute depreciation. It carries cost, date of capitalisation, rate and written down value. It does not always carry a unique identifier for each asset, its present location, its custodian, or a record of whether anyone has physically seen it since the invoice was booked.

Inventory records follow a similar pattern. Counts are conducted to arrive at a closing valuation figure. They are not always designed to evidence that a control operated — that a defined population was counted, by named persons, against a documented procedure, with differences investigated and resolved rather than absorbed.

For a private company, this is often workable. The auditor is familiar with the business, the population of assets is small enough to be known informally, and the register reconciles to the trial balance because it was built from the trial balance.

At IPO, three things change at once.

- Three financial years plus a stub period are restated and re-audited, and the accounts are examined by a peer reviewed auditor, the book running lead managers and legal counsel.
- The question shifts from “does the register agree with the ledger?” to “does the register agree with what physically exists, and can you demonstrate that someone checked?”
- Every remark in the auditor's report on those years travels forward — into the restated financial statements and, where material, into the offer document.

> **The asymmetry that makes this urgent**
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> A process can be corrected today. A physical verification can be delayed, but it cannot be performed retrospectively for a financial year that has already closed. Where such a year falls inside the restated period and no documented verification of fixed assets or properly evidenced inventory count exists, that gap is permanent. It can be disclosed, explained and contextualised. It cannot be filled in later.

This is why the work is best started before the year in which the company decides to file, not during it.

How the work sequences

The field exercise is short. The lead time is needed for what follows it.

Stage	What happens
Field exercise	Tagging and verification in a single pass. A unique identity is assigned at the point of capture, and the register is built from what physically exists.
Reconciliation	The field data set against the books. Differences traced to a cause and classified — not merely quantified.
Accounting adjustment	Write-offs and capitalisations booked in the correct financial year. This is the step that decides how early the work had to begin.
Second cycle	A repeated verification on a stated frequency. One exercise, however thorough, does not establish verification at reasonable intervals.
Audit evidence	A file the reporting auditor can rely on for every year in the restated period.

Where a usable register already exists it is held aside and reconciled against the field data afterwards, rather than used to drive the count. Field capacity runs at roughly 150 to 200 assets per verifier per day, so duration follows asset count and number of sites — usually weeks, not months.

The order is fixed even where the duration is not. Tagging and verification are a single field pass rather than two stages — in most companies no usable register exists to verify against, so the register is the output of the exercise rather than its input. The reason to begin early is not the field work, which is measured in weeks. It is that the resulting write-offs and capitalisations must be booked in the correct financial year, and that a single exercise does not establish verification at reasonable intervals.

2. What CARO 2020 actually requires — and of whom

A common misreading is worth correcting at the outset, because it changes what the company needs to prepare.

> **CARO does not oblige the company to verify. It obliges the auditor to report.**
>
> The Companies (Auditor's Report) Order, 2020 is a reporting order directed at the statutory auditor. It requires the auditor to state whether management has maintained proper records, whether management has physically verified assets and inventory at reasonable intervals, and whether discrepancies were properly dealt with in the books. The practical consequence is that the burden of producing evidence sits entirely with management. Where a company cannot demonstrate that a verification took place, the auditor has nothing to report on favourably — and says so.

The clauses that bear directly on fixed assets and inventory:

Clause	What the auditor is required to report on
3(i)(a)(A)	Whether proper records are maintained showing full particulars, including quantitative details and situation, of property, plant and equipment.
3(i)(a)(B)	Whether proper records are maintained showing full particulars of intangible assets.
3(i)(b)	Whether property, plant and equipment have been physically verified by management at reasonable intervals; whether any material discrepancies were noticed on such verification; and if so, whether they have been properly dealt with in the books of account.
3(i)(c)	Whether the title deeds of all immovable properties disclosed in the financial statements are held in the name of the company — other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee — with the details disclosed in the prescribed format where they are not.
3(i)(d)	Whether the company has revalued its property, plant and equipment (including right of use assets) or intangible assets or both during the year, and if so, whether the revaluation is based on the valuation by a registered valuer. The change is to be specified where it is 10% or more in the aggregate of the net carrying value of each class of property, plant and equipment or intangible assets.
3(i)(e)	Whether any proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 and the rules made thereunder, and if so, whether the company has appropriately disclosed the details in its financial statements.
3(ii)(a)	Whether physical verification of inventory has been conducted at reasonable intervals by management; whether in the auditor's opinion the coverage and procedure of such verification is appropriate; and whether any discrepancies of 10% or more in the aggregate for each class of inventory were noticed and, if so, whether they have been properly dealt with in the books of account.
3(ii)(b)	Whether during any point of time of the year the company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets; and whether the quarterly returns or statements filed by the company with such banks or financial institutions are in agreement with the books of account.

A note on auditing standards

SA 501 is frequently cited in this context, and it is worth being precise about its scope. SA 501 deals with specific considerations for selected items — principally the auditor's attendance at physical inventory counting, together with litigation and claims, and segment information. It applies squarely to inventory.

It is not the standard governing physical verification of property, plant and equipment. For fixed assets the auditor works from the general requirements for sufficient appropriate audit evidence under SA 500, together with SA 330 on responses to assessed risks. The distinction matters when a company is preparing documentation: the evidence expected around an inventory count is prescribed in considerable detail, while the evidence around fixed asset verification is judged against a general sufficiency standard — which in practice means the company must decide what a reasonable programme looks like and be able to defend it.

3. Part A — Fixed assets

> **Before you start**
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> The checks in A.1 assume a register exists to be assessed. Where a company has no usable register, or has one that covers only part of the asset base, the register is not the starting point — it is the output. The field exercise records what physically exists, assigns an identity to each item at the point of capture, and the register is built from that. The checks below then apply to the register that results, and the old ledger-derived listing is held aside and reconciled against it afterwards rather than used to drive the count.

A.1 The register itself

Check	Why it matters at IPO
☐ Every asset in the register carries a unique identification number that is distinct from the invoice number, voucher number or ledger code.	3(i)(a)(A) requires full particulars. A register keyed only to vouchers cannot be tied back to a physical item.
☐ The register records present location and sub-location, not merely the location at which the asset was originally installed.	"Situation" is an explicit requirement of the clause. Assets that have moved without record are the single most common source of unreconciled differences.
☐ A custodian or responsible department is recorded against each asset, or against each location.	Establishes accountability and is the practical basis for investigating differences rather than writing them off.
☐ Bulk capitalisations have been broken down into individual assets — one line does not represent 40 workstations or an entire floor of furniture.	A single line covering many physical units cannot be verified, cannot be partially disposed of, and cannot be depreciated correctly if the units have different useful lives.
☐ Assets funded by grants, held under hire purchase, or subject to a charge are separately flagged.	Relevant to disclosure and to lender due diligence during the offer process.
☐ The register reconciles to the gross block, accumulated depreciation and net block in the financial statements for every year in the restated period.	Merchant bankers and the reporting auditor will test this for all three years plus the stub, not only the most recent.

A.2 Identification and tagging

Tagging is not itself a statutory requirement. It is the mechanism by which an asset acquires an identity that can be checked again later, and without it a verification exercise degenerates into an approximate walk-through. In practice tagging and verification are carried out in the same field pass: the identity is assigned at the point of capture, and where no usable register exists the register is assembled from what the field team records.

Check	Why it matters at IPO
☐ A physical tag bearing the unique identification number is affixed to every asset for which tagging is practicable.	Converts verification from judgement into a scannable, repeatable and auditable exercise.
☐ The tagging convention is documented — what the code signifies, how it is issued, who issues it, and how it is retired on disposal.	A convention that exists only in the head of one person does not survive attrition and does not satisfy a due diligence enquiry.
☐ Tag substrate is appropriate to the environment: metal surfaces, outdoor exposure, high temperature, washdown areas and cold storage each require different specification.	Tags that fail within a year produce untraceable assets at the next verification cycle and undermine the whole exercise.

Check	Why it matters at IPO
☐ Assets that cannot be tagged — embedded plant, buried utilities, civil works — are identified in the register as such, with the basis on which their existence is evidenced.	Prevents them from appearing as permanently unverified items in every subsequent cycle.
☐ A procedure exists for tagging new additions at the point of capitalisation, not in an annual catch-up.	Ensures the population stays complete between cycles.

Where this usually goes wrong

Tag specification is treated as a procurement decision rather than an engineering one. A paper or standard adhesive label applied to a hot surface, an outdoor structure, a washdown area or a vibrating machine will not survive to the next verification cycle. The assets then appear as untraceable at the following count, and the cost of re-tagging is incurred on top of a reconciliation that now has differences which are artefacts of the tag rather than of the asset.

A.3 The physical verification programme

Check	Why it matters at IPO
☐ A written verification policy exists, stating frequency, coverage, method and who is responsible.	3(i)(b) turns on verification at "reasonable intervals". Reasonableness is assessed against a documented policy, not against recollection.
☐ The interval is defensible for the nature and value of the asset base, and rotational coverage — if used — is designed so that the full population is covered within a stated cycle.	Rotational verification is acceptable where documented; an undocumented partial coverage is not.
☐ Verification is performed by persons independent of the custody of the assets.	Self-verification by the custodian is weak evidence and is generally challenged.
☐ Each cycle produces a dated, signed report identifying the population covered, the method used, the personnel involved, and the results.	This report is the audit evidence. Without it the verification did not occur, for reporting purposes.
☐ Verification results are recorded asset by asset — found, not found, found but not in register, found in a different location, found in unusable condition.	The categories drive different accounting outcomes. A single aggregate variance figure cannot be dealt with in the books.
☐ Verification cycles exist for every year in the restated period, not only the current year.	The restated period is what is examined. A programme introduced in the filing year leaves the earlier years exposed.

A.4 Reconciliation and treatment of differences

Check	Why it matters at IPO
☐ Every difference identified during verification has been traced to a cause, not merely quantified.	3(i)(b) requires material discrepancies to be properly dealt with in the books. Quantification alone is not treatment.
☐ Assets in the register that could not be located have been investigated, and where they no longer exist have been written off in the correct financial year.	Carrying assets that do not exist overstates the gross and net block and misstates depreciation across the restated period.
☐ Assets found in use but absent from the register have been evaluated for capitalisation, including whether they were expensed in error in an earlier year.	Unrecorded assets can indicate a control failure in the capitalisation process, which is itself a finding.
☐ Location and custodian changes identified during verification have been updated in the register.	Otherwise the same differences reappear in the next cycle and the reconciliation never converges.
☐ The write-off or adjustment entries arising from verification are supported by an approval trail at an appropriate authority level.	Adjustments without approval trail attract attention precisely because they reduce reported assets.

A realistic expectation about reconciliation

A fixed asset register and a physical verification will rarely agree to the last item, and a report claiming a perfect match is more likely to invite scrutiny than to allay it. What is examined is whether the differences were found, understood, classified, approved and accounted for. In one anonymised engagement for an agricultural machinery business, approximately 19,000 assets appeared in the system against approximately 10,000 physically verified, with a variance exceeding ₹10 lakh identified through the exercise. The value of that exercise lay in the differences being surfaced and resolved, not in their absence.

A.5 Capital work in progress and intangible assets under development

Check	Why it matters at IPO
☐ CWIP is analysed project-wise, with an ageing schedule in the format required by Schedule III — less than one year, one to two, two to three, and more than three years.	The ageing disclosure is mandatory and is one of the first schedules examined. It cannot be prepared from a single aggregate balance.
☐ Projects whose completion is overdue, or which have exceeded their original cost, are separately disclosed with expected completion dates.	Also a Schedule III requirement, and a frequent source of qualification where the underlying project records do not exist.
☐ Assets that are complete and available for use have been capitalised from the date they became ready for use, not from the date of commissioning, invoicing or commercial production.	Delayed capitalisation understates depreciation and is a recurring restatement adjustment.
☐ Long-outstanding CWIP has been tested for impairment or write-off, rather than carried forward indefinitely.	Aged CWIP with no activity is a standard due diligence enquiry.
☐ Borrowing costs capitalised into CWIP are supported by a computation consistent with Ind AS 23, and cease on the date the asset is ready for use.	Over-capitalisation of interest inflates the asset base and understates finance cost.
☐ Intangible assets under development are separately tracked and aged, and the distinction between Ind AS 38 development costs and Ind AS 16 tangible assets has been applied consistently.	3(i)(a)(B) treats intangible records as a separate reporting item from PPE records.

Commonly asked in due diligence

Show the project-wise CWIP ageing for each year in the restated period; identify every project overdue against its original timeline or exceeding its original budgeted cost; explain the basis on which borrowing costs were capitalised and the date on which capitalisation ceased; and state why any project carried for more than three years has not been impaired or written off. These are among the earliest requests in a financial due diligence exercise, and they cannot be answered from a single aggregate CWIP balance.

A.6 Title, revaluation and encumbrance

Check	Why it matters at IPO
☐ Title deeds for all immovable property are held in the name of the company, and where they are not, the details are compiled in the prescribed format.	3(i)(c). Property held in a promoter's or predecessor entity's name is a common legacy issue and takes months to regularise.
☐ Leased premises are supported by lease agreements duly executed in favour of the company as lessee.	Such properties fall outside the title deed reporting requirement in 3(i)(c) only where the lease agreement is duly executed.
☐ Properties transferred on conversion, amalgamation or succession have had title formally mutated.	Frequently overlooked, and identified by legal due diligence rather than by the finance function.
☐ Any revaluation during the restated period was performed by a registered valuer, with the report on file.	3(i)(d) requires this specifically, and requires the change to be specified where it is 10% or more in the aggregate of the net carrying value of each class.
☐ No benami proceedings have been initiated or are pending against the company, and this has been	3(i)(e) is a direct reporting item under the Benami Transactions (Prohibition) Act, 1988, and where

Check	Why it matters at IPO
confirmed in writing by management.	proceedings exist the details must be disclosed in the financial statements.
☐ Charges created on assets are reconciled to the register of charges and to the position filed with the Registrar.	Discrepancies between charge filings and the asset base are a standard legal due diligence finding.

A.7 Depreciation, componentisation and useful life

Check	Why it matters at IPO
☐ Useful lives applied are consistent with Schedule II, or where they differ, the technical justification is documented.	Departures from Schedule II are permitted but must be supported. Undocumented departures are restatement candidates.
☐ Significant components with different useful lives have been identified and depreciated separately.	Component accounting is mandatory under Ind AS 16 and is one of the more common restatement adjustments.
☐ Depreciation on additions and disposals is computed pro rata from and to the correct dates.	Errors here compound across three restated years.
☐ Assets retired from active use but not yet disposed are correctly classified and are no longer depreciated as though in use.	Affects both carrying value and the impairment assessment.
☐ The depreciation policy has been applied consistently across the restated period, or changes have been accounted for as required by Ind AS 8.	Inconsistency across years is visible immediately in a restated comparative.

Where this usually goes wrong

Component accounting is applied to buildings and to large plant, and then not applied anywhere else. Where a significant part of an asset has a materially different useful life from the whole — a furnace lining, an aircraft engine, a lift within a building, the drive assembly of a production line — it must be depreciated separately. The adjustment is rarely large in any single year, but it compounds across three restated years and it is visible in the comparative once identified.

A.8 Disposals and assets that no longer exist

Check	Why it matters at IPO
☐ A documented disposal procedure exists covering authorisation, gate pass, removal of the tag, retirement in the register and accounting for the gain or loss.	Without a closing step in the register, disposed assets remain in the gross block and reappear as unverified in every subsequent cycle.
☐ Scrapped, obsolete and damaged assets have been retired in the year in which they ceased to be in use.	Retiring them all in the filing year concentrates the loss into the most recent period and invites questions about earlier years.
☐ Assets written off following verification are supported by the verification report that identified them.	Links the accounting entry to independent evidence rather than to a management estimate.
☐ Disposal proceeds, including scrap sales, are traced to receipts and accounted for.	Unrecorded scrap realisation is a control finding as well as a revenue issue.

A.9 Leased assets and assets not owned

Check	Why it matters at IPO
☐ Right of use assets recognised under Ind AS 116 are maintained separately from owned property, plant and equipment.	Mixing the two distorts the gross block reconciliation and the CARO reporting population.

Check	Why it matters at IPO
☐ Assets belonging to third parties but held on the company's premises are identified and excluded from the register.	Including them overstates the asset base; failing to identify them at verification produces unexplained excess items.
☐ The company's own assets held at third party locations — at job workers, customer sites, or with employees — are recorded with their location and are covered by the verification programme.	These are the assets most likely to be missing, and the least likely to be counted.
☐ Assets issued to employees are supported by a signed handover record and a recovery procedure on exit.	Provides the evidence trail for a population that otherwise cannot be physically verified centrally.

4. Part B — Inventory

Inventory attracts a different kind of scrutiny from fixed assets. The population turns over continuously, the auditor may be required to attend the count, and CARO applies an explicit numerical threshold to discrepancies.

B.1 The count programme

Check	Why it matters at IPO
☐ A written inventory verification policy exists covering frequency, coverage, method, cut-off procedures and responsibility.	3(ii)(a) requires the auditor to form an opinion on whether coverage and procedure were appropriate. That opinion is formed against a documented programme.
☐ Counts cover all classes of inventory — raw material, work in progress, finished goods, stores and spares, packing material, and goods in transit.	The 10% discrepancy threshold applies to each class separately, so incomplete class coverage cannot be netted off.
☐ Where perpetual or cyclical counting is used, the design ensures every item is counted at least once within the stated cycle, and records demonstrate that it happened.	Perpetual inventory is acceptable in place of a full year-end count only where it is properly designed and evidenced.
☐ Counts are performed by persons independent of stores custody, with count sheets that do not pre-print book quantities.	Pre-printed quantities convert a count into a confirmation exercise and materially weaken the evidence.
☐ Count sheets are serially controlled, signed by counter and reviewer, and retained.	Serial control demonstrates completeness of the count records themselves.
☐ Where the auditor is required to attend, the count date and location schedule are shared sufficiently in advance.	Auditor attendance is a requirement of SA 501 where inventory is material. Inability to attend leads to a scope limitation.

> **Where this usually goes wrong**
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> Count sheets are printed with the book quantity already filled in. What follows is not a count but a confirmation, and a counter who finds a shelf approximately consistent with a printed figure will record the printed figure. This single design choice weakens the evidence more than any other, and it is visible to an auditor on the face of the count sheet. Print item code, description and location; leave the quantity column blank.

B.2 The 10% threshold

> **Why this clause deserves separate attention**
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> 3(ii)(a) requires the auditor to report whether discrepancies of 10% or more in the aggregate were noticed for each class of inventory. The test is applied class by class, not to inventory as a whole. A company whose overall variance is comfortable can still breach the threshold within a single class — stores and spares is a frequent instance, because it is high in item count, low in value, and rarely counted with the same rigour as finished goods.

Check	Why it matters at IPO
☐ Discrepancies are computed and reviewed class by class, at the time of each count, rather than only in aggregate at year end.	Identifies a threshold breach while there is still time to investigate the cause.

Check	Why it matters at IPO
☐ The basis on which classes are defined is documented and applied consistently across the restated period.	Reclassifying inventory between classes changes the denominator and will be examined if it moves a variance below the threshold.
☐ Where a discrepancy of 10% or more arose, the investigation, conclusion and accounting treatment are documented.	The clause requires discrepancies to be properly dealt with in the books; the disclosure is unavoidable, the absence of a response is not.
☐ Stores, spares and consumables are counted with the same discipline as trading and finished goods.	Low value per item does not exempt a class from the threshold test.

B.3 Cut-off

Check	Why it matters at IPO
☐ Goods received but not invoiced, and goods invoiced but not despatched, are identified at each count date and reconciled.	Cut-off errors move inventory and revenue between periods and are among the most frequent restatement adjustments.
☐ The last receipt and last despatch document numbers before the count are recorded and used to test cut-off.	Provides an objective boundary rather than a verbal assurance.
☐ Movement is halted during the count, or where operations cannot be stopped, movements during the count are separately documented and adjusted.	Continuous operation is acceptable if controlled; uncontrolled movement invalidates the count.
☐ Goods in transit are supported by dispatch documents and, where relevant, evidence of transfer of control under Ind AS 115.	Determines which side of the period the item belongs to.

> **Where this usually goes wrong**
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> Cut-off is asserted rather than evidenced. The finance team is satisfied that movement stopped, but nobody recorded the last goods receipt note and last delivery challan number before counting began. Without those two numbers there is no objective boundary between the counted population and the transactions on either side of it, and any subsequent question about cut-off can only be answered from recollection.

B.4 Stock not on your premises

Check	Why it matters at IPO
☐ Inventory lying with job workers, consignment agents, contract manufacturers and clearing agents is separately listed.	This stock is on the balance sheet but not on the premises, and is routinely omitted from counts.
☐ Third party confirmations have been obtained for material quantities held elsewhere, and reconciled to the company's records.	Confirmation alone is weak where quantities are material; the reconciliation is what carries weight.
☐ Where material, physical verification is conducted at third party locations rather than relying on confirmation alone.	For significant balances an auditor may require attendance or alternative procedures.
☐ Inventory held by the company on behalf of others is identified and excluded.	Prevents overstatement and prevents unexplained excess at count.

B.5 Bank stock statements

Check	Why it matters at IPO
☐ Quarterly stock and debtor statements filed with banks agree with the books of account for every quarter in the restated period.	3(ii)(b) makes this a direct reporting item where working capital limits sanctioned in excess of five crore rupees, in aggregate, from banks or financial institutions were outstanding at any point in the year on the security of current assets.
☐ Where differences exist, a reconciliation has been prepared for each quarter explaining them.	Differences are common and often explicable. An unexplained difference is what becomes an adverse

Check	Why it matters at IPO
	remark.
☐ The basis of valuation used in the bank statement is consistent with, or reconciled to, the basis used in the books.	Statements prepared at cost, at market value or net of margin will not agree unless the basis is reconciled.
☐ Responsibility for preparing the bank statement sits with a person who has access to the final books, not with a separate function working from provisional figures.	The most common structural cause of persistent differences.

B.6 Valuation, obsolescence and slow movement

Check	Why it matters at IPO
☐ Inventory is valued at the lower of cost and net realisable value, with the cost formula applied consistently and disclosed.	Ind AS 2. Inconsistent application across the restated period is visible in comparatives.
☐ Ageing of inventory is available by class and is used to identify slow moving and non moving items.	The basis for any provision, and a standard due diligence request.
☐ A documented policy governs provisioning for slow moving, obsolete and damaged inventory, applied consistently across the restated period.	A provision policy introduced in the filing year raises questions about the earlier years.
☐ Physically damaged or unusable stock identified at count is segregated, quantified and provided for in the year identified.	Links the count to the accounting outcome, which is what "properly dealt with in the books" means.
☐ Fixed production overhead absorption into work in progress and finished goods is based on normal capacity.	Absorption at actual capacity in a low volume year overstates inventory.

5. Part C — The restated period

Most readiness work is forward looking. This section is not. It asks what can still be done about financial years that have already closed and will nevertheless be restated and re-audited.

Check	Why it matters at IPO
☐ The financial years that will fall inside the restated period have been identified, and the position on fixed asset verification and inventory counts is known for each of them.	Establishes the size of the problem before anyone is asked to opine on it.
☐ For each year without a documented verification, the alternative evidence available has been assembled — insurance schedules, maintenance records, statutory inspection certificates, movement registers, capital expenditure approvals.	Alternative evidence does not replace verification but narrows the gap and supports a reasoned position.
☐ Where a gap cannot be closed, the position has been discussed with the reporting auditor early rather than discovered during the audit.	The response to a known limitation is negotiable. The response to one discovered late usually is not.
☐ A verification has been conducted for the current year at minimum, so that at least the most recent period in the restated set is properly evidenced.	Establishes the programme and provides a baseline from which prior year differences can be reasoned about.
☐ Adjustments arising from a first comprehensive verification have been allocated to the correct years where determinable, rather than taken entirely to the current year.	Ind AS 8 governs prior period errors. Dumping everything into the latest year distorts the most scrutinised comparative.

What a first comprehensive verification typically reveals

Where a company has never conducted a full physical verification, the first exercise usually produces a larger set of differences than management expects — assets long since scrapped but never retired, assets moved between locations without record, and assets in use that were expensed rather than capitalised. This is the expected outcome of a first cycle rather than a sign of failure. The relevant question is whether it happens eighteen months before filing, when the differences can be investigated and correctly allocated, or during the audit of the restated accounts, when they cannot.

Commonly asked in due diligence

Provide the verification policy and the count policy as they stood in each year of the restated period, not as they stand today; the dated verification and count reports for each cycle, with the names of the persons who performed them; the reconciliation of differences and the approvals for the resulting entries; and the quarter-by-quarter reconciliation of stock statements filed with lenders. The request is for the record as it existed at the time, which is why a programme introduced in the filing year cannot answer it.

6. Part D — Internal financial controls

Section 143(3)(i) of the Companies Act, 2013 requires the auditor to report on the adequacy and operating effectiveness of the company's internal financial controls with reference to financial statements. Asset and inventory controls form part of that assessment, and the documentation requirement is distinct from the verification itself.

Check	Why it matters at IPO
☐ Controls over capitalisation, asset movement, disposal, inventory receipt, issue and count are documented as controls — with a stated objective, owner, frequency and evidence of operation.	A process note describes what happens. A control description states what would be caught, by whom, and how often.
☐ Evidence of operation is retained for each control for every period in the restated set.	Operating effectiveness is tested across the period, not at a point in time.
☐ Segregation of duties exists between custody, recording and verification for both assets and inventory.	The most commonly tested control attribute in this area, and the one most often absent in a growing company.
☐ Access controls over the asset register and inventory master data are defined, and changes to master data leave an audit trail.	Uncontrolled master data undermines every downstream control.
☐ Any control deficiency identified has been documented together with its remediation and the date from which the remediated control operated.	A remediated deficiency with a date is a manageable disclosure. An undocumented one is a material weakness.

7. Part E — Sequencing

The stages below run in order. Their duration does not follow a fixed calendar — field capacity runs at roughly 150 to 200 assets per verifier per day, so the schedule is a function of asset count and number of sites rather than of the months remaining before a filing.

What makes early commencement necessary is not the length of the field work. It is that the adjustments arising from it have to be booked in the correct financial year, and that a single exercise does not establish verification at reasonable intervals.

Stage	Work
Scoping	Establish which financial years will fall inside the restated period and what evidence exists for each. Agree the locations, the estimated asset count and the tagging convention. The estimated count and the number of sites determine the field schedule and the size of the team required.
Field exercise	Tagging and verification carried out in a single pass across all locations. A unique identity is assigned to each asset at the point of capture, along with location, sub-location and custodian. Where a usable register already exists it is held aside and reconciled afterwards, rather than used to drive the count.
Reconciliation	The field data set against the books. Differences traced to a cause and classified — present but unrecorded, recorded but absent, moved, or no longer usable. Approvals obtained for the entries that follow.
Accounting adjustment	Write-offs and capitalisations allocated to the correct financial year where determinable, rather than taken entirely to the current year. This is the step that determines how early the exercise needed to begin, and it is the reason the work cannot sensibly start in the filing year.

Stage	Work
Long-lead items, in parallel	Title deeds and charge reconciliations, and the quarter-by-quarter reconciliation of stock statements filed with lenders. These depend on third parties and on records held outside the finance function, so they should run alongside the field work rather than after it.
Second cycle	A repeated verification on the stated frequency. This is what converts a one-off exercise into a programme, and it is what allows the auditor to report on verification at reasonable intervals rather than on a single count conducted shortly before a filing.
Controls documentation	Internal financial controls documented as controls, with evidence of operation retained for each period. Best completed once the verification programme is running, so that the documented control describes what actually happens.

8. Findings that commonly become qualifications or disclosures

The following are recurring in this area. Each is capable of being resolved in advance; none is capable of being resolved quickly once the audit of the restated accounts has begun.

- A fixed asset register that carries no quantitative detail or situation, and therefore cannot support reporting under clause 3(i)(a)(A).
- No physical verification conducted, or conducted without a report that identifies population, method, personnel and results.
- Differences quantified but not investigated, and absorbed rather than dealt with in the books.
- Immovable property held in a name other than the company's, following conversion, amalgamation or succession.
- CWIP carried for several years with no project-wise ageing and no impairment assessment.
- Assets capitalised on the date of invoice or commissioning rather than the date they became ready for use.
- Component accounting not applied where significant components have materially different useful lives.
- Inventory discrepancies exceeding 10% in a single class, most often stores and spares, unnoticed because the review was conducted only in aggregate.
- Quarterly stock statements filed with banks that do not agree with the books, with no reconciliation on file.
- Inventory held at job worker and third party locations excluded from the count programme altogether.
- Slow moving and obsolete inventory provided for in the filing year alone, with no consistent policy in the earlier restated years.

9. Reading your result

Count the unchecked items in Parts A and B, and separately note whether any of them relates to a financial year that has already closed.

Position	What it indicates
Few open items, none in closed years	The programme is largely in place. Remaining work is documentation and sequencing.
Open items concentrated in documentation	The substantive work is being done but is not evidenced. This is recoverable, and is largely an exercise in recording what already happens.
Open items in identification and verification	The foundation is missing. Tagging and a first verification cycle need to begin before anything downstream can be relied upon; allow for the first cycle to take longer and to produce more differences than expected.
Open items relating to closed financial years	These cannot be closed by doing the work now. They need an early conversation with the reporting auditor, alternative evidence assembled, and a considered position on disclosure.

Before you put this down

Completing the checklist is the first step, not the outcome. Its value lies in converting every unchecked box into documented audit evidence before the process of preparing restated financial statements begins — while the differences it surfaces can still be investigated, allocated to the correct financial year, and approved without pressure of time.

If you take one thing from this document

A physical verification can be delayed, but it cannot be performed retrospectively for a financial year that has already closed.

About TagMyAssets

TagMyAssets is the operating brand of Tag Savvy Private Limited. We are a field services firm providing fixed asset tagging, physical verification of assets, inventory verification and fixed asset register reconciliation across India.

We are a service provider that operates its own verification applications. Our field teams work on cloud based applications built for asset tagging and verification, for inventory verification of barcoded stock, and for inventory verification of non-scannable stock, with audit progress visible during the exercise and variance analysis available in Excel. We do not supply a fixed asset management system for a company to run its register on, and this checklist is not a prompt to buy one.

Our work has covered more than 250 projects across more than 1,500 locations, with over 10 lakh assets tagged.

This document is general in nature and is intended to assist in planning. It is not a substitute for professional advice on any specific engagement, and it does not replace the requirements of the applicable statute, rules and auditing standards, which should be referred to directly. References to CARO 2020, the Companies Act, 2013, Schedule II, Schedule III, Ind AS and the Standards on Auditing should be verified against the text in force at the relevant date.