



Non Ind AS FS, Accounting Policies & Directors Report

PRESENTED AT KOTTAYAM
ALAPPUZHA & KOLLAM
BRANCHES OF ICAI ON 15TH
JULY 2021.

suri & co.
CHARTERED ACCOUNTANTS

ACCOUNTING POLICIES

Monday, July 15, 2021

What is Accounting Policies

- ♦ Significant accounting policies are
 - ♦ Specific accounting principles and methods a company employs
 - ♦ Considers to be the most appropriate to use in current circumstances in order to fairly present its financial statements.
 - ♦ Principles and methods that are specific in a particular industry in which the company operates.

- ♦ AS 1
 - ♦ Going Concern
 - ♦ Consistency
 - ♦ Accrual

Significant Accounting Policies

- ◆ Includes
 - ◆ Company Overview
 - ◆ Basis of preparation of FS
 - ◆ Use of Estimates
 - ◆ Accounting policies

Significant Accounting Policies

- ♦ All companies need to disclose policies of all applicable accounting policies
 - ♦ Applicable does not mean there should be some transactions in that year.
 - ♦ Exemptions in the Stds to be used based on selection of policies
 - ♦ Need to mention the exemptions
 - ♦ Mandatory Disclosures of Policy enhances Presentation

What is Accounting Policies

- ♦ AS 1 Lists some policies that need to be disclosed (Inclusive List)
 - (a) Methods of depreciation and amortisation
 - (b) Treatment of expenditure during construction
 - (c) Conversion or translation of foreign currency items
 - (d) Valuation of inventories
 - (e) Treatment of goodwill
 - (f) Valuation of investments
 - (g) Treatment of retirement benefits
 - (h) Recognition of profit on long-term contracts
 - (i) Valuation of fixed assets
 - (j) Treatment of contingent liabilities.

Accounting Policies – Some Insights

- ♦ Missing out on mentioning the basic policies like – Intangible Assets, Impairment of Assets, Deferred Tax, Subsidies, Borrowing Cost capitalisation etc...
- ♦ Other Income and Expenses are to be recognised on Accrual – Disclosure to be Made
- ♦ Inventory Related
 - ♦ Disclosure of What is Cost for Inventory and PPE – Cost Formula
 - ♦ Inventory Valuation to be mapped to Std not Made by management
 - ♦ Valuation of WIP
 - ♦ Disclosure of Provision for Obsolescence – Inventory Value to reflect True and correct value
 - ♦ Inco Terms and Recognition of in transit value

Accounting Policies – Some Insights

- ♦ Cash Flow – Cash and Cash equivalent – Short term easy to encash items
 - ♦ Segregation of 3 activities
- ♦ Revenue Recognition – Accrual- Not use words as on collection etc
 - ♦ Certainty of collections important
 - ♦ Revenue includes Other Income
- ♦ PPE – Cost vs Revaluation method
 - ♦ Bearer plants
 - ♦ Component Approach
 - ♦ Useful Life of Assets – Residual value

Accounting Policies – Some Insights

- ♦ Investments – Disclosure of Market value – Classification and disclosure
- ♦ Employee Benefits – Actuarial valuation – Small companies Option to take valuation once in 3 yrs.
 - ♦ Leave encashment
 - ♦ Funding of Benefit plans
 - ♦ Disclosure of Contribution plans
- ♦ Borrowing Cost – Capitalisation of Interest and specific disclosure
- ♦ Segment Reporting – Business and Geography segment

Accounting Policies – Some Insights

- ♦ Long term Lease - MLR Disclosure
- ♦ EPS – Disclosure of the class of shares and its EPS
- ♦ Deferred Tax – Policy and disclosure
 - ♦ Detailed disclosure of timing difference
 - ♦ Deferred tax Asset recognition – Virtual certainty
- ♦ Recognition of Intangible Assets
- ♦ Provisions, Contingent Liability & Contingent Assets

DISCLOSURES AS PER AS AND SCH III

Monday, July 15, 2021

Schedule III and Disclosure

- ♦ <http://ebook.mca.gov.in/default.aspx>
- ♦ Guidance Note on Sch III by ICAI
- ♦ Operating Cycle and its disclosure
 - ♦ It is recommended that the disclosure about the company's operating cycle be given as a part of 'Notes to the Financial Statements'
- ♦ Share Application Money pending Allotment – Less than 60 days

Schedule III and Disclosure

- ♦ Share Capital - For each class of share capital (different classes of preference shares to be treated separately):
 - a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;
 - the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;
 - shares in the company held by each shareholder holding more than 5 per cent. shares specifying the number of shares held;
 - shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts;
 - for the period of five years immediately preceding the date as at which the Balance Sheet is prepared:
 - Aggregate number and class of shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash.
 - Aggregate number and class of shares allotted as fully paid-up by way of bonus shares.
 - Aggregate number and class of shares bought back.
 - terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date;
 - calls unpaid (showing aggregate value of calls unpaid by directors and officers);
 - forfeited shares (amount originally paid-up).

Schedule III and Disclosure

- ♦ Borrowings

- ♦ Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.
- ♦ Terms of repayment of term loans and other loans shall be stated.
- ♦ Period and amount of continuing default as on the balance sheet date in repayment of loans and interest, shall be specified separately in each case.

Schedule III and Disclosure

- ♦ Trade Payable – The following details relating to Micro, Small and Medium Enterprises shall be disclosed in the notes:-
 - the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;
 - the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;
 - the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;
 - the amount of interest accrued and remaining unpaid at the end of each accounting year; and
 - the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

Schedule III and Disclosure

♦ Related Party Disclosure

- ♦ Shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate
- ♦ Loans and advances from related parties
- ♦ Loans and advances to related parties
- ♦ Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated
- ♦ Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated

Schedule III and Disclosure

- ◆ Disclosure of MAT
 - ◆ Entities not utilised 115BBAA – MAT credit to be created and disclosed as pe

Current Tax (MAT)

Less: MAT Credit Entitlement

Net Current Tax

- ◆ Moment to be shown under Other Current Assets
- ◆ To be mapped with ROI and Moment to be shown in P&L

Schedule III and Disclosure

- ♦ Contingent liabilities shall be classified as:
 - ♦ (a) Claims against the company not acknowledged as debt;
 - ♦ (b) Guarantees;
 - ♦ (c) Other money for which the company is contingently liable.

- ♦ Commitments shall be classified as:
 - ♦ (a) Estimated amount of contracts remaining to be executed on capital account and not provided for;
 - ♦ (b) Uncalled liability on shares and other investments partly paid;
 - ♦ (c) Other commitments (specify nature)

Schedule III and Disclosure

Statement of Profit and Loss

- ♦ Classification of Income into Goods and Services (Broad heads)
- ♦ Other income shall be classified as:
 - ♦ Interest Income (in case of a company other than a finance company);
 - ♦ Dividend Income;
 - ♦ Net gain/loss on sale of investments;
 - ♦ Other non-operating income (net of expenses directly attributable to such income).
- ♦ Dividends from subsidiary companies separate disclosure

Schedule III and Disclosure

Statement of Profit and Loss - Specific Disclosures

- ♦ Any item of income or expenditure which exceeds one per cent. of the revenue from operations or Rs.1,00,000, whichever is higher;
- ♦ Interest Income
- ♦ Interest expense;
- ♦ Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);
- ♦ In case of Companies covered under section 135, amount of expenditure incurred on corporate social responsibility activities;

Schedule III and Disclosure

Statement of Profit and Loss – Specific Disclosure

- ♦ Provisions for losses of subsidiary companies.
- ♦ Export of goods calculated on F.O.B. basis
- ♦ Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters
- ♦ Value of imports calculated on C.I.F basis

Schedule III and Disclosure

- ♦ Specific Disclosures this year
 - ♦ Impact of Covid 19 – What happened and possible impact of the future
 - ♦ Social Security Code
- ♦ Small Companies – to utilise benefits

DIRECTORS REPORT

Monday, July 15, 2021

What is Director's Report

- ♦ Provides information like performance of the company, its major policies, relevant changes in management, future programmes of expansion, modernization and diversification, capitalization or reserves, etc.
- ♦ It also enables lenders, bankers and the public to make an appraisal of the company's performance and provides an insight into the future growth and profitability of the company.

What does Director's Report contain???

Monday, July 15, 2021

What does it contain?

- ◆ Financial Results
- ◆ Return to share holders and transfer to reserves
- ◆ Events that has a significant impact of the Co.
- ◆ Note on the Related parties performance and its impact on the Co.
- ◆ Directors' responsibility Statement
- ◆ Details of Directors & KMP
- ◆ Details of BM and Board Evaluation – Directors appointment and terms
- ◆ CSR

What does it contain?

- ♦ IFC and its adequacy
- ♦ Details of AC and Corporate Governance
- ♦ Auditors – Appointment, Reports and explanations (if needed)
- ♦ Secretarial Report disclosures
- ♦ Risk Management, Vigil Mechanism
- ♦ Sec 186, 188 compliances
- ♦ Employee details
- ♦ SEBI – LODR Requirements
- ♦ Specific disclosures

Requirement of the Law

- ♦ Sec 134

- ♦ Sec 92 (3) - Every company shall place a copy of the annual return on the website of the company, if any, and the web-link of such annual return shall be disclosed in the Board's report.
- ♦ Number of Meeting of the board
- ♦ details in respect of frauds reported by auditors under 143 other than those which are reportable to the Central Government

Requirement of the Law

- ♦ Sec 134 – In The Directors’ Responsibility Statement the chairman confirms that—
 - ♦ in the preparation of the FS, the applicable accounting standards had been followed along with proper explanation relating to material departures;
 - ♦ accounting policies have been applied consistently,
 - ♦ judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
 - ♦ taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

Requirement of the Law

- ♦ Sec 134 – In The Directors’ Responsibility Statement the chairman confirms that—
 - ♦ had prepared the annual accounts on a going concern basis;
 - ♦ in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
 - ♦ had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Requirement of the Law

- ♦ Sec 134

- ♦ particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form i.e. Form no. AOC-2;
- ♦ particulars of loans, guarantees or investments under section 186
- ♦ the amounts, if any, which it proposes to carry to any reserves; & the amount, if any, which it recommends should be paid by way of dividend;
- ♦ the conservation of energy, technology absorption, foreign exchange earnings and outgo

Requirement of the Law

- ♦ Sec 134 rwr 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, every listed company shall disclose
 - ♦ Director and KMP Financial information along % increase in remuneration
 - ♦ % increase in Median remuneration
 - ♦ Number of permanent employees
 - ♦ Remuneration is as per the policy

Requirement of the Law

- ♦ BR shall include a statement showing the names of the top ten employees in terms of remuneration drawn
 - ♦ Limits with regards to amount drawn for the year
 - ♦ Persons who draw more than a specified amount per month
 - ♦ Persons who draw more than MD or WTD
- ♦ Disclosure of the commission to MD and WTD – 197(14)
- ♦ Re appointment of ID – Sec 149(10)

Requirement of the Law

- ♦ BR shall include the amounts, if any, which were to be transferred to the Investor Education and Protection Fund but have not been so transferred, along with the reasons for such failure –Sec 125(2)
- ♦ Change in the composition of the Board
- ♦ the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year

Requirement of the Law

- ◆ Disclosures pertaining to the sexual harassment of women at the workplace (prevention, prohibition and redressal) act, 2013
- ◆ Secretarial Audit Report
- ◆ Explanations in the Board's report in response to Auditors' qualification(s)

Thank You

CA G RENGARAJAN

SENIOR PARTNER

SURI & CO, CHARTERED ACCOUNTANTS



Monday, July 15, 2021

suri & co.
CHARTERED ACCOUNTANTS