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Preparation & Audit of Financial Statements for FY 2024-25: Important developments for Corporate & Non-Corporate Entities

16th July 2025

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Agenda

- Corporate Entities
  - Listed Companies
  - Non-listed Companies
- Non-Corporate Entities
  - LLP
  - Firm
  - Sole Proprietorships
  - NPOs
- Other Important Points

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Corporate Entities

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Companies Act, 2013

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Some key Amendments

Dematerialisation of shares

A private company is required to mandatorily demat the securities by 30th June 2025 *(earlier 30th September 2024)*.

Forms ADT-1, 2, 3 and 4

- Forms ADT-1, 2, 3 and 4 used for appointment of auditors, removal of auditors, intimation to RoC, Reporting on Fraud have been revised.
- Requirement of reporting fraud on the letterhead of the auditor has been removed.
- Reporting of fraud by the auditor is required to be filed electronically in Form ADT-4 which was earlier filed physically

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Applicability of Accounting Standards

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Applicability of Accounting Standards

Indian Accounting Standards (MCA)	Accounting Standards (MCA)	Accounting Standards (ICAI)
Corporate Entities	Corporate Entities	Non-corporate Entities

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Accounting Standards

- Indian Accounting Standards (MCA)
  - 40 Ind AS standards
- Accounting Standards (MCA)
  - 27 Accounting Standards
- Accounting Standards (ICAI)
  - 27 Accounting Standards

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Accounting Standards: Corporate Entities

Applicability to Corporate Entities

Accounting Standards	Indian Accounting Standards	
To all entities whose NETWORTH is less than Rs. 250 crores in the immediately preceding financial year	To all listed entities	To all entities whose NETWORTH exceeds Rs. 250 crores in the immediately preceding financial year

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Indian Accounting Standards (Ind AS)

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Ind AS 117 – Insurance Contracts

Ind AS 117 – Insurance contracts for non-insurance entities

MCA announced Ind AS 117, '*Insurance Contracts*' on 12th August 2024 and replacing Ind AS 104 '*Insurance Contracts*' and came into effect for annual reporting periods starting on or after 1st April 2024.

Besides Insurance Companies, Ind AS 117 is also relevant to any entity that enters into contracts which are considered to be insurance contracts.

The standard sets out principles for accounting for such contracts, which means entities can no longer rely on previous accounting practices such as Ind AS 115 (Revenue from Contracts with Customers) or Ind AS 109 (Financial Instruments), unless there is a specific exemption provided by Ind AS 117.

Subsequently, vide amendment on 28th September 2024, MCA amended the applicability of Ind AS 117 for insurers or insurance companies, whereby an insurer or insurance company may provide its FS as per Ind AS 104 for the purposes of consolidated FSs till Ind AS 117 is notified by IRDAI.

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Ind AS 117 – Insurance Contracts …

Ind AS 117 – Insurance contracts for non-insurance entities …

Ind AS 117 **excludes** the following transactions from its scope that may meet the definition of insurance contracts:

Scope exclusion	Applicable Ind AS	Key Considerations
Warranties issued directly by a manufacturer/dealer/retailer in connection with the sale of goods/services to a customer	Ind AS 115	Scope exclusion applies to both assurance-type and service-type warranties. (Warranties provided by third party for goods sold by manufacturer/dealer/retailer fall within the scope of Ind AS 117)
Contractual rights or obligations contingent on the future use of, or the right to use, a nonfinancial item	Ind AS 115 Ind AS 38 Ind AS 116	Examples include certain license fees, royalties, variables and other contingent lease payments and similar items
Residual value guarantees provided by the manufacturer, dealer or retailer and lessees' residual value guarantees embedded in a lease	Ind AS 115 Ind AS 116	Standalone residual value guarantees that transfer insurance risk, not addressed by other Ind AS, fall within the scope of Ind AS 117

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Ind AS 117 – Insurance Contracts …

Ind AS 117 – Insurance contracts for non-insurance entities …

Ind AS 117 **excludes** the following transactions from its scope that may meet the definition of insurance contracts:

Scope exclusion	Applicable Ind AS	Key Considerations
Contingent Consideration (CC) in a business combination	Ind AS 103	CC is required to be recognized at fair value at the acquisition date, with subsequent remeasurements of non-equity consideration included in profit or loss
Employers' assets and liabilities from employee benefit plans	Ind AS 19 Ind AS 102	
Insurance contracts in which the entity is the policyholder (unless these contracts are reinsurance contracts held)	Ind AS 109	Ind AS 37 may be applicable

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Ind AS 117 – Insurance Contracts …

Ind AS 117 – Insurance contracts for non-insurance entities

- Non-insurance entities that have not previously applied insurance accounting are not necessarily exempt from applying insurance accounting in the future.
- Where non-insurance entities conclude they have issued contracts within the scope of Ind AS 117, they will need to assess the adequacy of IT systems, RCMs, governance structures, presentation and disclosures.
- Insurance companies need to closely monitor the regulatory amendments
- Accounting policy changes to be disclosed in FS

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Ind AS 116 – Leases

Ind AS 116 – Sale and leaseback with variable lease payments

New accounting model introduced for seller lessee under Ind AS 116, *Leases* applicable for annual reporting periods beginning on or after 1st April 2024.

Variable lease payments include variable payments that do not depend on an index or rate.

Initial recognition of lease liability	Subsequent accounting	Estimated lease payments	Actual lease payments
• Seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.	• After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it does not recognize any gain or loss relating to the right of use it retains	• Estimated lease payments can be determined in a number of ways at the date of transaction – e.g. as 'expected lease payments; or as 'equal periodic payments' over the lease term	• The seller-lessee would reduce the lease liability as if the 'lease payments; estimated at the date of the transaction had been paid. It would recognize any difference between those lease payments and the amounts actually paid in profit and loss

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Ind AS 21 – The effects of changes in Foreign Exchange Rates

The amendments are applicable for annual reporting periods beginning on or after 1st April 2025.

Two step approach:
The amendments provide a two-step approach to determine the exchange rate to be applied when translating a foreign currency transaction, as given in the figure below:

Is the currency exchangeable into the other currency at the measurement date for the specified purpose?

Apply the applicable requirements in Ind AS 21	Estimate the spot exchange rate that meets the objective of Ind AS 21 by either using: (a) An observable exchange rate without adjustment or (b) Another estimation technique
Step 1: Assessing whether a currency is exchangeable	Step 2: Estimating the spot exchange rate when a currency is not exchangeable

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Ind AS 21 …

Step 1: Is the currency exchangeable

Key considerations

- Normal administrative delay is permitted
- Ability to obtain the currency is essential and not the intent
- Currency is exchangeable at measurement date for specified purpose
- Exchange transaction should create enforceable rights and obligations
- Ability to obtain more than insignificant amounts

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Ind AS 21 …

Step 2: Estimating the spot exchange rate

When a currency is not exchangeable, a company needs to estimate a spot rate. A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain any specific requirements for estimating a spot rate. A company should consider the below for estimating a spot rate:

Use an observable exchange rate without adjustment		
Examples include:	Using an observable exchange rate for another purpose	Using the first subsequent exchange rate

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Use another estimation technique
This includes using rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations and adjust them

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Ind AS 21 …

Disclosures Required:

The new disclosures might include the following:

- The nature and financial impacts the currency not being exchangeable into the other currency
- The spot exchange rate(s) used
- The estimation process
- The risks to which the company is exposed because of the currency not being exchangeable into the other currency

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Audit methodology and Standards on Auditing (SA)

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Typical Audit Methodology

Audit Planning (AP)	Audit Execution (AE)	Audit Reporting (AR)
• Planning is one of the important aspects in conduct of an audit. • Without appropriate planning, an effective audit cannot be conducted. • **Involves extensive discussions in understanding the client, his business, risks involved, mitigation, challenges, team size and composition, etc.** • Typically 25-30% of the total time in an audit is required for planning.	• Based on AP, execution would be smoother and focussed. • Sample selection can be more informed. • Time involvement can be monitored. • Typically 55-65% of the total time in an audit is required for execution.	• Should typically follow the AP and AE. • Most aspects for reporting can be known if AP and AE is done systematically. • Typically 10-15% of the total time in an audit is required for AR.

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Risk Based Audit Approach

1. Understand Industry & Business Model
2. Understand Regulatory & Financial Reporting Framework
3. Overview IT systems to identify embedded controls
4. Draw up an audit plan and execute the audit
5. Discuss audit findings with management

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Applying Standards on Auditing for different stages of audit

SA	SA Name	Audit Planning	Audit Execution	Audit Reporting
SA 200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing	✓		
SA 210	Agreeing the Terms of Audit Engagements	✓		
SA 220	Quality Control for an Audit of Financial Statements			✓
SA 230	Audit Documentation		✓	
SA 240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	✓	✓	✓
SA 250	Consideration of Laws and Regulations in an Audit of Financial Statements	✓	✓	✓
SA 260 (Revised)	Communication with Those Charged with Governance			✓
SA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management			✓

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Applying Standards on Auditing for different stages of audit

SA	SA Name	Audit Planning	Audit Execution	Audit Reporting
SA 299 (Revised)	Joint Audit of Financial Statements	✓		✓
SA 300	Planning an Audit of Financial Statements	✓		
SA 315	Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment	✓		
SA 320	Materiality in Planning and Performing an Audit	✓		
SA 330	The Auditor's Responses to Assessed Risks	✓	✓	✓
SA 402	Audit Considerations Relating to an Entity Using a Service Organization	✓		
SA 450	Evaluation of Misstatements Identified During the Audit			✓
SA 500	Audit Evidence		✓	
SA 501	Audit Evidence-specific Considerations for Selected Items		✓	

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Applying Standards on Auditing for different stages of audit

SA	SA Name	Audit Planning	Audit Execution	Audit Reporting
SA 505	External Confirmations		✓	
SA 510	Initial Audit Engagements — Opening Balances	✓		✓
SA 520	Analytical Procedures		✓	
SA 530	Audit Sampling		✓	
SA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures		✓	
SA 550	Related Parties	✓	✓	✓
SA 560	Subsequent Events			✓
SA 570 (Revised)	Going Concern	✓		✓
SA 580	Written Representations			✓
SA 600	Using the Work of Another Auditor	✓		✓

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Applying Standards on Auditing for different stages of audit

SA	SA Name	Audit Planning	Audit Execution	Audit Reporting
SA 610 (Revised)	Using the Work of Internal Auditors	✓		✓
SA 620	Using the Work of an Auditor's Expert	✓		✓
SA 700 (Revised)	Forming an Opinion and Reporting on Financial Statements			✓
SA 701	Communicating Key Audit Matters in the Independent Auditor's Report			✓
SA 705 (Revised)	Modifications to the Opinion in the Independent Auditor's Report			✓
SA 706 (Revised)	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report			✓
SA 710	Comparative Information—Corresponding Figures and Comparative Financial Statements			✓
SA 720 (Revised)	The Auditor's Responsibilities Relating to Other Information			✓

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SA 800 series (revised)

SA	Particulars
SA 800	Special Consideration – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
SA 805	Special Considerations – Audit of Single Financial Statements and Specific Elements, Account or Items of a Financial Statement
SA 810	Engagements on Report on Summary Financial Statements

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SA 800 series …

Particulars	SA 800	SA 805	SA 810
Effective date	1st April 2024	1st April 2024	1st April 2024
Purpose	This SA deals with special considerations in the application of those SAs to an audit of financial statements prepared in accordance with a special purpose framework.	This SA deals with special considerations in the application of those SAs to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, SA 800(Revised) also applies to the audit.	This SA deals with the auditor's responsibilities when undertaking an engagement to report on summary financial statements derived from financial statements audited in accordance with SAs by that same auditor.

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Micro, Small and Medium Enterprises (MSME) Updates

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MSME

Applicability	Only specified companies which are having payments pending to any MSMEs for more than 45 days from the date of acceptance or deemed acceptance of goods or services required to furnish MSME Form 1
New Disclosures	**Revised MSME Form 1** **Comprehensive disclosures with respect to amounts due to MSEs along with ageing of dues**

The central government has notified revised investment and turnover criteria for classification MSMEs. (**from 1st April 2025)**
Changes in the criteria are given below **(Rs. in crores)**:

Type of Enterprise	Investment in Plant and Machinery / Equipment		Turnover	
	Revised	Earlier	Revised	Earlier
Micro	**2.50**	1.00	**10.00**	5.00
Small	**25.00**	10.00	**100.00**	50.00
Medium	**125.00**	50.00	**500.00**	250.00

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MSME …

Submission of half yearly return to the Ministry of Corporate Affairs

All companies who get supplies of goods or services from micro and small enterprises and whose payments to micro and small enterprise suppliers exceed 45 days from the date of acceptance or the date of deemed acceptance of the goods or services as per the provisions of the MSME Act, should submit a half yearly return (due date 30th April and 31st October) to the Ministry of Corporate Affairs stating the following:

- the amounts of payments due; and
- the reasons of the delay.

Auditors need to examine the above reporting by companies – will have implications on:

- **Process for identifying and reporting dues to MSMEs**
- **Provision for 'mandatory interest'**
- **Disclosures as per Schedule III**
- **Tax provisions [disallowance u/s 43B(h)]**

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Securities and Exchange Board of India (SEBI)

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Related Party Transactions

Why Related Party Transactions (RPTs) Matter for Boards and Stakeholders:

RPT governance is now central to boardroom agendas / regulators

Regulators, investors and proxy advisors scrutinize:
- Disclosures and Approval processes
- Arm's length validations and whether undue advantage obtained
- Any tax arbitrage

Aim: Protect minority shareholders & reduce reputational / financial risks

Section 167 of Companies Act, 2023: Inadequate / missed disclosure by interested director in a contract or arrangement may lead to vacation of office

Effective RPT oversight:
- Ensures compliance
- Supports transparency, ethical practices and sound stakeholder relationships

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Related Party Transactions …

Key Regulatory Highlights

Aspect	SEBI LODR 2015	Companies Act 2013 (CA) / Rules	Other Standards/Notes	Focus/Best Practice
Definition of RPT	▪ Reg. 2(1)(zc) ▪ Excludes specified securities issues, certain corporate actions, bank deposits, and retail purchases by employees/directors.	▪ Sec. 2(76) ▪ Sec. 188(11)	Ind-AS 24	▪ Map all relationships and new inclusions ▪ Ensure policy is aligned.
Who is a Relative?	Reg. 2(1)(zd)	Sec. 2(77), Rule 4	-	Confirm with latest statutory list
Materiality Thresholds	▪ Reg. 23(1) ▪ SME (from April 2025): > Rs. 50 cr or 10% ▪ Reg.23(1A):Brand/ royalty ▪ Reg. 23(2)(b)/(c)	Rule 15(3)	-	Check both LODR and CA thresholds for each RPT; Do Not assume they are identical
Approval Mechanism	▪ Reg. 23(2): ▪ Reg. 23(4): ▪ Board approves RPT policy	▪ Sec. 188(1) ▪ Rule 15 ▪ Sec. 184	SS-1, SS-2	Ensure clear documentation, recusal, and escalation; only independents to approve in AC

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Related Party Transactions …

Key Regulatory Highlights…

Aspect	SEBI LODR 2015	Companies Act 2013 (Act) / Rules	Other Standards/Notes	Focus/Best Practice
Omnibus Approval	▪ Reg. 23(3) ▪ valid up to 1 year; reviewed quarterly; criteria must include names, value, nature, price formula	-	-	Use for routine transactions only; track closely
Subsidiary Transactions	▪ Reg. 23(2)(b)/(c) ▪ Exception: listed subsidiaries with own AC/ compliance	Sec. 188(1) Proviso, Rule 15(2)	-	Ensure mapping of all group RPTs, track parent / subsidiary compliance
Exemptions	Reg. 23(5)	Sec. 188	-	Document rationale for any exemption – do not apply without written justification

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Related Party Transactions …

Key Regulatory Highlights…

Aspect	SEBI LODR 2015	Companies Act 2013 (CA) / Rules	Other Standards/Notes	Focus/Best Practice
Disclosure Requirements	▪ Reg. 23(9) ▪ Reg. 46(2)(g)	▪ Sec. 134(3)(h) ▪ Sec. 188(2) ▪ Rule 15	Ind-AS 24	Timely, accurate, complete disclosures are essential; set compliance calendar
Director/KMP Interest	▪ Reg. 23(2), (4) ▪ No related party voting on material RPT resolution	▪ Sec. 184 ▪ Sec. 189	-	Declarations and recusal protocols are critical; maintain registers
Arm's Length and Ordinary Course	Reg. 23(5)	Sec. 188	Ind-AS 24	Benchmark and document; get third-party/independent evidence if needed
Non-Compliance and Penalties	Reg. 98	Sec. 188(5)	SEBI/SAT orders: Regular penalties for late/non-disclosure, wrong approval	Risk is high – ensure proactive compliance and periodic audit

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Related Party Transactions …

- SEBI LODR Regulations, 2025 require Related Party Transactions **(RPTs)** to be approved by
  - the Audit Committee **(AC)** and
  - by the shareholders, where applicable

- Minimum information to be provided for approval
- An applicability matrix for approvals and disclosures
- Disclosures categorization as comprehensive, limited or minimum
- Ensure AC and shareholders have access to relevant data
- Certification from the CEO, CFO or any KMP and from every promoter director
- Standards to align with the LODR Regulations and SEBI Circulars

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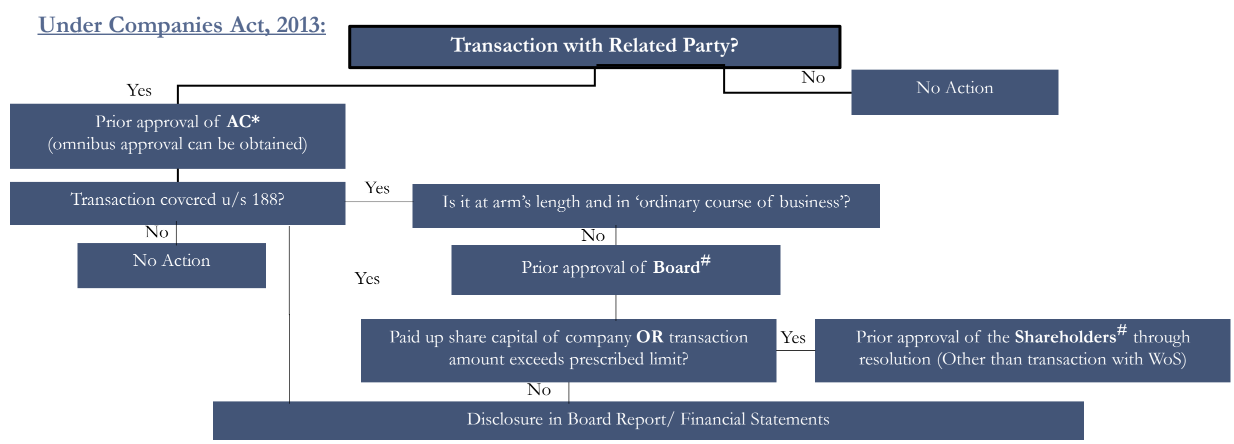
Industry Standards on Approval of RPT



*1. - **In case any transaction is entered for an amount not exceeding Rs. 1 crore without obtaining AC approval, it can be ratified within 3 months**
- Transactions with WoS which are referred u/s 188 only, shall be approved by the AC.
2. In case RPT cannot be foreseen / required details not available, AC may grant omnibus approval, subject to their value not exceeding Rs. 1 crore per transaction.
 # In case any transaction is entered without obtaining the approval of Board or Shareholders, it can be ratified within 3 months from the date of transaction.

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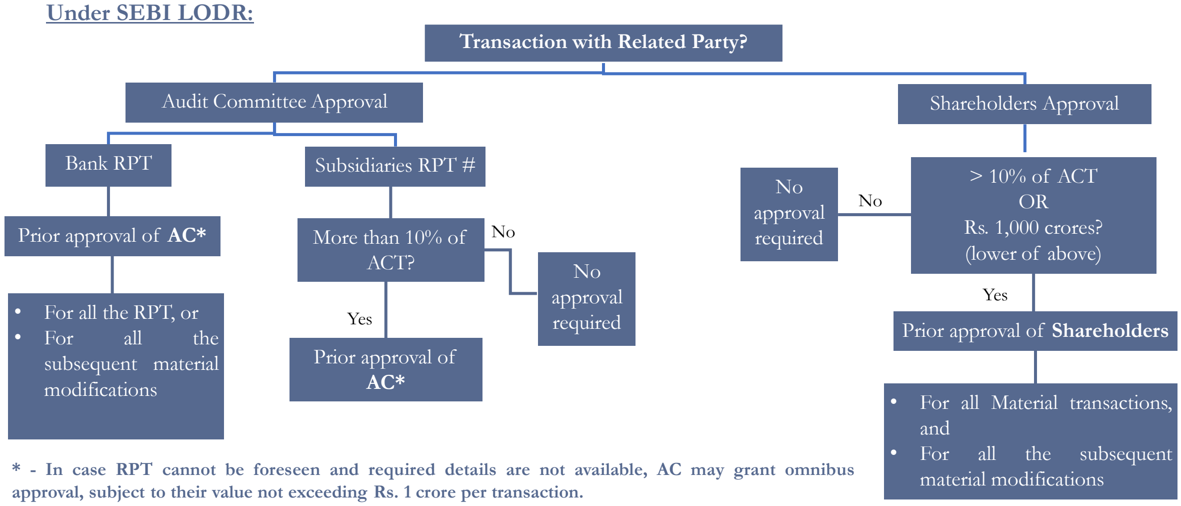
Industry Standards on Approval of RPT …

Under SEBI LODR:



*** - In case RPT cannot be foreseen and required details are not available, AC may grant omnibus approval, subject to their value not exceeding Rs. 1 crore per transaction.**

- No approval is required if it is with WoS

 # Does not included transactions within fellow subsidiaries

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Determination of 'Ordinary course of business'

As per the Statute and General understanding of the term

1) It has **NOT** been specifically defined under CA 2013 or in SEBI LODR.
2) It usually covers routine transactions, customs and practices of a business and of a company.
3) Standard on Auditing 550 has provided illustrations for transactions which are outside the entity's 'Ordinary course of Business'.

As per Entity's Policy

For the purpose of this policy, the ordinary course of business will include the transactions undertaken:

1. In the normal course of business as permitted by law/ regulations
2. As a part of customary business practices or by its long standing conduct.

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Determination of 'Arm's length basis's

As per the Statute and General understanding of the term

1) As per explanation (b) to Section 188 it means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
2) It is not defined in SEBI LODR and AS 18.

As per Entity's Policy

It establishes 'arms' length basis' for the transactions with RP in any one of the following ways :
1) Similar transaction entered with unrelated party at same terms and price and during the same period;
2) Market quote for similar transactions;
3) Prevailing market rate for the particular transaction.

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Industry Standards on approval of RPT

Type of transaction	Threshold	BS / PL	Approvals required	Disclosure requirement
Material RPT	RPT which is concluded to be material under Regulation 23(1) and 1(A) of the LODR Regulations	Both	Audit Committee + Shareholders	Comprehensive disclosures
Other RPT, but which is with promoter or promoter group* or person/ entity in which promoter or promoter group has concern or interest	Exceeds lower of: - 2% of turnover as per the last audited consolidated financial statements, - 2%of net worth (if positive) as per the last audited consolidated financial statements, or - 5% of the average of absolute profit/ loss after tax over the last 3 years as per the last audited consolidated financial statements	Both	Audit Committee	Comprehensive disclosures
	Less than the threshold specified in above column	BS	Audit Committee	Comprehensive disclosures
		PL		Limited disclosures

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Industry Standards on approval of RPT …

Type of transaction	Threshold	BS / PL	Approvals required	Disclosure requirement
Residual RPT	Transaction(s) with a related party to be entered into individually or taken together with previous transactions during the financial year exceeds Rs. 1 crores	Both	Audit Committee	Limited disclosures
	Transaction(s) with a related party to be entered into individually or taken together with previous transactions during the financial year less than Rs. 1 crores			Minimum disclosures

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Industry Standards on approval of RPT …

Comprehensive disclosures	Limited disclosures	Minimum disclosures
All disclosures as specified in Para 4 of the standards - A1, A2, A3, A4, A4 and B1 - B2 to B8 – as applicable basis nature of the RPT	All disclosures as specified in Para 4 of the standards	A1: Basic details of RP
Details of the RP and RPT	Does not include the following: - Additionally details for proposed transactions relating to sale, purchase, or supply of goods or services or any other similar business transaction - For lending transactions, details of past borrowings and interest limited to past FY instead of previous 3 FY's - For investment, details of ALM post investment - For royalty transactions, details of dividend paid in last 3 FY's and current FY, royalty received from foreign entities and peer comparison	A2: Relationship and ownership of RP

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Industry Standards on approval of RPT …

Comprehensive disclosures	Limited disclosures	Minimum disclosures
For specified transactions - B1: Basis details of proposed transactions - B2: Sale, purchase or supply of goods or services or any other similar business transaction - B3: Loans, ICD's or advances given by the listed company or subsidiaries - B4: Investment made by the listed entity or its subsidiaries - B5: guarantee, surety, indemnity or comfort letter - B6: Borrowings by the listed entity or its subsidiary - B7: Sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity, or disposal of shares of subsidiary or associate - B8: Payment of Royalty		A4: Details of previous transactions with RP
		A5: Amount of proposed transactions
		B1: Basic details of proposed RPT's
		A3: Details about financial performance of the RP is not required to be provided

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Material Events or Information

The listed entity should disclose all material events / information to the stock exchange within following timelines:

- 30 minutes from the closure of the meeting of the BoD in which the decision pertaining to the event or information has been taken.
- However,
  - in case the meeting closes after normal trading hours of that day but more than 3 hours before the beginning of the normal trading hours of the next trading day, the listed entity should disclose the decision pertaining to the event or information, within 3 hours from the closure of the BoD meeting and
  - in case the meeting of the BoD is being held for more than 1 day, the financial results should be disclosed within 30 minutes or 3 hours, as applicable, from closure of such meeting for the day on which it has been considered.
- If all the relevant information, in respect of claims which are made against the listed entity under any litigation or dispute, other than tax litigation or dispute, the disclosure with respect to such claims should be made to the stock exchange(s) within 72 hours of receipt of the notice by the listed entity

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NFRA

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Responsibilities of Principal Auditor and Other Auditors in Group Audits (SA 600)

- The Principal auditor should perform procedures to obtain sufficient appropriate audit evidence, that the work of another auditor is adequate for the principal auditor's purposes
- Right of the principal auditor to visit a component and examine the books of account and other records of the said component. (also laid down by Section 143(1)(f) of Companies Act, 2013)
- Consider the professional competence of the component auditor
- Inform the other auditor of matters such as areas requiring special consideration, procedures for the identification of intercomponent transactions that may require disclosure and the time-table for completion of audit
- Advise the other auditor of the significant accounting, auditing and reporting requirements and obtain representation as to compliance with them
- The principal auditor should consider the significant findings of the other auditor

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Key Considerations for Component Auditors

Independence	▪ To maintain independence throughout the audit process, especially in relation to the component and any related entities under common control.
Fraud Risk	▪ To remain vigilant for any indications of fraud, especially in areas where there is a higher risk, such as financial reporting, management override of controls, any related-party transactions and to maintain documentation thereof.
Internal Control	▪ Evaluate the effectiveness of internal controls, especially those that could have a direct impact on the group's consolidated financial statements, includes reviewing key control activities, processes, and any significant weaknesses identified during the audit.
ROMM	▪ Identify and assess the risk of material misstatement (ROMM) and plan procedure to mitigate the same.

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Responsibilities of Component Auditors

Compliance with Standards

Perform audits in accordance with applicable standards and group audit requirements.

Evidence Gathering

Obtain sufficient and appropriate evidence to support the component's financial statements.

Communication of Findings

Communicate significant findings and issues to us promptly and thoroughly.

Collaboration

Cooperate with us, provide access to audit documentation, and communicate relevant matters.

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Audit Committee Interactions

The potential questions the Audit Committee/ Board of Directors can ask the Auditors

Series 1: Accounting Estimates and judgments

- Preparation and presentation of financial statements requires the management to make estimates and judgements
  - Part 1 deals with accounting estimates and judgments related to ECL
  - Part 2 deals with accounting estimates and judgments pertaining to the audit of Income Taxes

Series 2: Audit Strategy and audit plan

- Development of an effective Audit Strategy and Audit Plan is the critical starting phase of an audit of financial statements. It is intended to set the overall scope, timing and direction of audit so as to guide the preparation of detailed audit plan including completion of the auditor's risk assessment procedures and design of audit procedures responsive to assessed risks

Series 3: Dealing with audit of Related parties

- Related party transactions have been source of major frauds in the corporate history and some of the modus operandi continues to be seen in recent corporate frauds as well.

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Series 1: Accounting Estimates and judgments

Expected Credit Loss (ECL) under Ind AS 109

The ECL approach under Ind AS 109 involves recognizing and measuring impairment losses for financial assets based on expected credit losses, rather than incurred losses.

ECL applies to all types of financial assets. Understanding the segmentation and relevant tests for different classes of financial assets is crucial.

- Recognition and measurement related considerations including analysis of changes/ trends of balances and communication of unusual transactions
- Internal control systems, subject matter experts and IT systems
- Discussion on business rationale, any unusual transactions etc.
- RPT and use of management experts
- Compliance with Accounting standards
- Any other regulatory requirements.

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Accounting Estimates and judgments …

Income Taxes, under Ind AS 12

- Identification of relevant Income tax laws enacted or substantively enacted at the reporting date, consistency with the expected manner of realization of the asset
- Any significant changes in tax laws, relevant interpretations/ decisions or regulations that could impact the valuation of DTAs and DTLs
- Key reconciling items reflected in the effective tax rate reconciliations
- Internal controls over computation of current tax and deferred tax, identification of the taxable/ deductible temporary differences. Measurements of DTA and DTL
- Verification of assumptions underlying the calculations of Deferred taxes
- Assessment of the probability of future taxable profits against which the DTA can be utilized
- Professional competences, objectivity and independence of a management expert and verification of data used by the expert

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Series 2: Audit Strategy and audit plan

Key Themes for interaction between Auditor and RCWG/ Audit Committee highlighted by NFRA

Auditor's plan for communication including timing, frequency, mode, estimated hours of audit and its team allocation	Group Audit – Coverage of components and locations, responsibilities and communications with Group Auditors
Independence	Our Understanding of Relevant Risks
Computer assisted and audit techniques used	Key Focus Audit Areas
In case of service organization – obtaining Type 1 and Type 2 report	Areas of Improvement
Materiality	Any unresolved matters
Risk Based Audit Approach	

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Series 3: Dealing with audit of Related Parties

Identification

- Understanding the definitions of RP under Companies Act, 2013, SEBI LODR and Ind AS 24/AS 18
- Risk assessment procedures performed for identification of RP
- Internal controls for identification of RP
- Periodic confirmations for Directors and KMPs

Evaluation

- Determination of significant risk including fraud risk
- Understanding the Business rationale for RPT
- Evaluation of Arm's length pricing
- Compliance with Companies Act, 2013 and SEBI LODR

Approvals

- Audit committee approvals
- Board Approvals
- Shareholders Approvals
- Any exemptions availed

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Non - Corporate Entities

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Applicability of Accounting Standards

Indian Accounting Standards (MCA)	Accounting Standards (MCA)	Accounting Standards (ICAI)
Corporate Entities		Non-corporate Entities

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Accounting Standards

- Indian Accounting Standards (MCA)
  - 40 Ind AS Standards
- Accounting Standards (MCA)
  - 27 Accounting Standards
- Accounting Standards (ICAI)
  - 27 Accounting Standards

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Accounting Standards: Non-Corporate Entities

Non–Corporate Entities

Accounting Standards issued by ICAI

MSME	Large Entity
Selective Accounting Standards applicable with some relaxations	All Accounting Standards are applicable

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AS 22 *Accounting for Taxes on Income*

Amendments to AS 22 *Accounting for Taxes on Income* (For non-company entities)

Amendment

- a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes
- targeted disclosure requirements for affected entities

Effective Date

Effective for annual reporting periods beginning on or after 1st April 2024

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Guidance Note on FS of Non-Corporate Entities (NCEs)

Applicability

- **For accounting periods beginning on or after 1st April 2024.**
- To all Business or Professional Entities, other than Companies incorporated under Companies Act and LLPs incorporated under LLP Act.

- Sole proprietorship firms
- Hindu Undivided Family
- Partnership Firms (registered and unregistered)
- Association of Persons (Partnership firms not covered above, Body of Individuals, Resident welfare Associations)

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Guidance Note on FS of Non-Corporate Entities (NCEs)…

- Society registered under any law for the time being in force
- Trusts (private or public) registered under any law for the time being in force or unregistered
- Statutory Corporations, Autonomous bodies and Authorities
- Any form of organisation that is engaged fully or partially in any Business or Professional activities

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Guidance Note on FS of NCEs

- Applicable for the purpose of preparation of the financial statements of NCEs **except** where:
  - Formats/principles are specifically prescribed by the relevant Statute or Regulator or any Authority;
  - Autonomous Bodies under Government of India are required to compile their accounts in a uniform format of accounts as prescribed by Government of India, Ministry of Finance; or
  - Guidance has been specifically given by ICAI (e.g., Educational Institutions, Political Parties, Not-for Profit Entities, etc.).
- Guidance Note intends to specifically prescribe the formats for financial statements as the presentation format for the categories of entities to which it applies.
- Technical Guide on Financial Statements of NCEs superseded

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Revised Criteria for application of AS to NCEs

- Effective 1st April 2024, ICAI has revised scheme for applicability of Accounting Standards to Non-company entities
- For the purpose of applicability of AS, NCEs are classified into two categories, viz., Micro, Small and Medium Sized Entities **(MSMEs)** and Large entities.
- Definition of MSME has been revised
- MSME's to disclose that they have complied with the Accounting Standards applicable to MSME
- An entity which became a MSME subsequently will be required to follow all the Accounting Standards (i.e. exemptions and relaxations will not be allowed)

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Definition of MSME as per ICAI

MSME means a Non-company entity:

- Whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;
- Which is not a bank, financial institution or an insurance company;
- Whose turnover (excluding other income) does not exceed Rs. 250 crores in the immediately preceding year;
- Which does not have borrowings in excess of Rs. 50 crores at any time during the immediately preceding accounting year; and
- Which is not a holding or subsidiary of an entity which is not a micro, small and medium sized entity.

LARGE ENTITIES are Non-company entities which are not MSME

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AS applicable to Large entities

Accounting Standards issued by ICAI	
AS 1 – Disclosure of Accounting Policies	AS 17 – Segment Reporting
AS 2 – Valuation of Inventories	AS 18 – Related Party Transactions
AS 3 – Cash Flow Statements	AS 19 – Leases
AS 4 – Contingencies and Events Occurring after the Balance Sheet Date	AS 20 – Earnings Per Share
AS 5 – Net profit or loss for the period, prior period items and Changes in Accounting Policies	AS 21 – Consolidated Financial Statements
AS 7 – Construction Contracts	AS 22 – Accounting for Taxes on Income
AS 9 – Revenue Recognition	AS 23 – Accounting for Investments in Associates in Consolidated Financial Statements
AS 10 – Property, plant and Equipment	AS 24 – Discontinuing Operations
AS 11 – The Effects of Changes in Foreign Exchange Rates	AS 25 – Interim Financial Reporting
AS 12 – Accounting for Government Grants	AS 26 – Intangible Assets
AS 13 – Accounting for Investments	AS 27 – Financial Reporting of Interests in Joint Ventures
AS 14 – Accounting for Amalgamations	AS 28 – Impairment of Assets
AS 15 – Employee Benefits	AS 29 – Provisions, Contingent Liabilities and Contingent Assets
AS 16 – Borrowing Costs	

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AS not applicable and relaxations to MSME

AS not applicable	AS 3 – Cash Flow Statements
	AS 17 – Segment Reporting
	AS 24 – Discontinued Operations
	AS 18 – Related Party Disclosures
	AS 28 – Impairment of Assets
Relaxations given	AS 10 – PPE selective disclosures need not be given
	AS 11 – Effect of Changes in Foreign Exchange Rates selective disclosures need not be given
	AS 15 – Employee Benefits selective paragraphs need not to be complied
	AS 19 – Leases selective disclosures need not be given
	AS 22 – Incomes taxes selective paragraphs on recognition and measurement need not be followed
	AS 26 – Intangible assets selective disclosures need not be given
	AS 28 – Impairment of Assets PV technique and selective disclosures are exempt
	AS 29 – Provisions selective disclosures need not be given

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Additional Requirements for MSME

Criteria	Requirement / Conditions
An MSME which avails the exemptions or relaxation	Disclose (by way of a note to its FSs) the fact that it is an MSME and has complied with the ASs insofar as they are applicable to an MSME.
An MSME had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period.	▪ The relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be an MSME. ▪ Disclose in the notes to the FSs ✓ The fact that it was an MSME in the previous period and it had availed of the exemptions or relaxations available to it. ✓ The fact that previous period figures have not been revised
An entity which was previously not an MSME and subsequently becomes an MSME	Will not be qualified for exemption/relaxation in respect of ASs available to an MSME until the entity remains an MSME for 2 consecutive years.

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Additional Requirements for MSME

Criteria	Requirement / Conditions
If an MSME opts not to avail of the exemptions or relaxations available to an MSME in respect of any but not all of the AS	Disclose the Standard(s) in respect of which it has availed the exemption or relaxation.
If an MSME opts not to avail any one or more of the exemptions or relaxations available to it	Should comply with the relevant requirements of the AS
An MSME may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an AS	Such a partial exemption or relaxation and disclosure should not be permitted to mislead users of FSs.

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FAQ on Guidance Note on FS of NCEs

Auditors' responsibility when a NCE (client) fails to comply with the presentation formats as specified in the Guidance Note?

The auditor is required to disclose this fact in his / her report. The auditor should exercise his / her professional judgment in determining whether such non-adherence will result in a modified opinion as per the Standards on Auditing.

Whether this GN is required to be applied while preparing financial statements of not-for profit organisation ?

The auditor is required to use Technical Guide on Accounting for NPOs.

Can additional line items be added in the Balance Sheet, or is it mandatory to strictly follow the line items prescribed in the GN?

A line item can be substituted or additional line items, sub-line items and sub-totals can be presented on the face of the Financial Statements.

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FAQ on Guidance Note on FS of NCEs

If the figures in respect of a particular line item are 'Nil' in the current year as well as immediately preceding period, then whether that item can be omitted from being presented?

If its omission does not affect the true and fair view of the financial statements, it can be omitted from the financial statements.

Whether comparative year figures of immediately preceding reporting period are also required to be given in the same format as prescribed by the GN?

W.e.f. 1st April 2024, the formats prescribed in the GN is to be applied in preparation and presentation of FSs of NCEs including comparative year figures, with the exception for entities which are preparing their first FSs after incorporation.

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Format of FS for NCEs

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Balance Sheet for Non-Corporate Entity

Particular	Note No.	Current Year	Previous Year
OWNER'S FUNDS AND LIABILITIES			
(I) Owner's Fund			
a) Owner's/ Partners capital Account			
b) Owner's/ Partners current account			
(II) Reserves and Surplus			
(III) Non-current liabilities			
a) Long-term borrowings			
b) Deferred tax liabilities			
c) Other long-term liabilities			
d) Long term provisions			
(IV) Current liabilities			
a) Short-term borrowings			
b) Trade payables			
c) Other current liabilities			
d) Short term provision			

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Balance Sheet for Non-Corporate Entity …

Particular	Note No.	Current Year	Previous Year
ASSETS			
(I) Non-current assets			
a) Property, plant and equipment			
b) Intangible assets			
c) Capital work in progress			
d) Intangible assets under development			
e) Non-current investments			
f) Deferred tax assets (net)			
g) Long-term loans and advances			
h) Other non-current assets			
(II) Current assets			
a) Current investments			
b) Inventories			
c) Trade receivables			
d) Cash and bank balances			
e) Short term loans and advances			
f) Other current assets			

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Disclosure for Owner's/ Partner's Funds

- Opening balance
- Capital introduced/ contributed during the year
- Remuneration for the year
- Interest for the year
- Withdrawals during the year
- Share of profit or loss for the year
- Closing balance

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Statement of Profit and Loss for NCE

Particular	Note No.	Current Year	Previous Year
Revenue from operations			
Other Income			
Total Income			
Cost of Material consumed			
Purchases of stock-in-trade			
Changes in inventories of finished goods			
Work in progress and stock-in-trade			
Employee benefit expenses			
Depreciation and amortization			
Finance costs			
Other expenses			
Total expenses			

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Statement of Profit and Loss for NCE …

Particular	Note No.	Current Year	Previous Year
Profit before exceptional and extraordinary items, partner's remuneration and tax			
Exceptional items			
Profit before extraordinary items, partner's remuneration and tax			
Extraordinary items			
Profit before partner's remuneration and tax			
Partner's remuneration			
Profit before tax			
Tax expense			
Profit after tax			
Profit from continued and discontinued operations			

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Classification of Current and Non-current

An asset shall be classified as current when it satisfies any of the following criteria:

- It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- It is held primarily for purpose of being traded;
- It is expected to be realized within 12 months after the reporting date; or
- It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as Non-Current

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Classification of Current and Non-current …

An liability shall be classified as current when it satisfies any of the following criteria:

- It is expected to be settled in the company’s normal operating cycle
- It is held primarily for purpose of being traded;
- It is due to be settled within 12 months after the reporting date;
- The entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date

All other liabilities shall be classified as Non-Current

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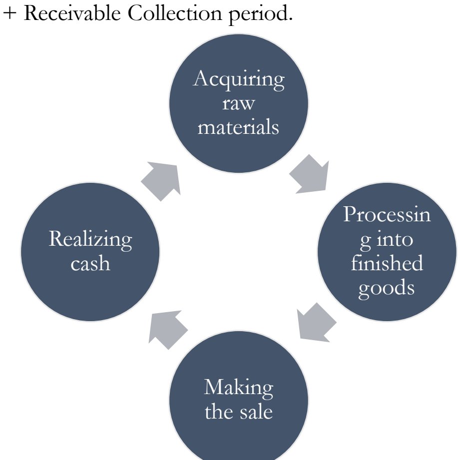
Operating Cycle

Operating Cycle is lead time to acquire raw materials + raw materials holding period + Work in process period + Finished goods holding period + Receivable Collection period.



For example, if a company’s operating cycle is 120 days, Receivables realized = realized within 120 days from the date of recognition of inventories = consumed with 120 days from date of purchase.

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Rounding Off and Comparatives

Depending on the TOTAL INCOME of the Entity (Corporate and Non-corporate), the figures appearing the Financial Statements **shall/may** be rounded off as given below:

Total income	Rounding off
(a) Less than Rs. 100 crores rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof
(b) Rs. 100 crores rupees or more	To the nearest lakhs, millions or crores or decimals thereof
Once a unit of measurement is used, it should be used uniformly in the Financial Statements	

- *SHALL is for Corporate entities*
- *MAY is for Non-corporate entities*

Except in case of First Financial Statements prepared by the Corporate or Non-corporate entity (after its date of incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for ALL items shown in the Financial Statements including notes shall also be given.

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Disclosure as per MSME Act, 2006

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 MSME 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 MSME 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 deductible expenditure under Section 23 of MSME, Act 2006.

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Disclosure Trade receivables – Non-Corporate Entities

i. Aggregate amount of trade receivables outstanding for a period exceeding six months from the date they are due for receipt shall be stated separately
ii. Trade receivables should be sub-classified as:
   - Secured,
   - Unsecured and
   - Doubtful
iii. Allowance for bad and doubtful debts shall be disclosed separately.

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Additional Disclosures : Non – Corporate Entities

i. Employee benefit expenses showing separately (a) Salaries and wages, (b) Contribution to provident and other funds (c) Staff welfare expenses

ii. Any item of income or expenditure which exceeds 1% of the revenue from operations or Rs. 1,00,000 whichever is higher

iii. Adjustments to the carrying amounts of investments

iv. Net gain or loss on foreign currency transaction and translation (other than considered as finance costs)

v. Details of exceptional and extraordinary items

vi. Prior period items

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Additional Disclosures : Non – Corporate Entities …

vii. Expenditure incurred on each of the following items, separately for each item –
- Consumption of stores and spare parts
- Power and fuel
- Rent
- Repairs to buildings
- Repairs to machinery
- Insurance
- Rates and taxes, excluding taxes on income
- Miscellaneous expenses

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Disclosure of Exceptional Items

- Exceptional items have not been defined in AS and Ind AS.
- As per Ind As and AS, generally when the income or expense are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise.
- Following are some examples of exceptional items:
  - Write down of inventories
  - Restructuring activities
  - Disposal of PPE
  - Discontinued operations
  - Impairment of assets
  - Litigation settlements etc.

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Disclosure of Extraordinary Items

- Extraordinary Items is defined in Accounting Standard 5, Net profit or loss for the period, prior period items and Changes in Accounting Policies
- *Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.*
- **No separate disclosure allowed for this in Corporate Entities**
- **However, the same can be possible in Non-corporate Entities**

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Summary of Disclosures

Corporate Entities		Non-Corporate Entities
Schedule III – Division I, II and III		As per Guidance Note for Financial Statements for Non-Corporate Entities issued by ICAI As per Guidance Note for Financial Statements for Limited Liability Partnership Firms issued by ICAI
As per specific sections of the Companies Act, 2013 – section 186(4), etc.		As per applicable Accounting Standards
As per applicable Accounting Standards		As per MSME Act
As per MSME Act		Disclosure for the exemptions/ relaxations availed by the entity
As per other applicable Statutes: - Reserve Bank of India - IRDA - SEBI		

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Other relevant points for preparation and audit of Financial Statements

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Other Statutes where RP/ RPT relevant

Income Tax Act

- Section 40A(2)(b)
- Transfer Pricing – International and Domestic (inter-unit within same entity for domestic transactions where specific deductions are sought)
- GAAR rules maybe applied for transactions where tax avoidance is primary objective

Goods and Service Tax

- RPT with / without consideration

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Income Tax

- **Verify the status of demands, etc. on the portal**
  - Compare with Contingent Liabilities
- **Compare 26AS for TDS and other credits**
  - Reconciliation with corresponding income booked (interest, revenue from services, labour jobs, etc)
- **Compare the Annual Information Statement (AIS) / Tax Information Summary (TIS)**
  - Business Receipts
  - GST Turnover / Purchases
  - Interest and Dividends
  - Properties acquired / sold
  - Tax payments (incl TDS, TCS)
  - Investments in FDs, MFs, Securities, etc.
  - Corporate Credit Card payments

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Goods and Services Tax (GST)

Output

a) Reconcile GSTR-1 with GSTR-3B and ensure that tax liability discharged in GSTR 3B.
b) Goods moved to and from job workers as at the end of the year (to file ITC-04)
c) FIRCs for all the export of services / FC receipts made during the year
d) Sale of assets to be tracked and taxed at higher of GST on supply or reversal of ITC claimed on such assets, to be discharged.
e) Ensure the TDS/ TCS cash claimed matches with the turnover reported in the GST returns – new TCS reporting in Tables 14/15 of GSTR-1.

Input

a) In case of any write off of stock or assets, ITC availed on such stock or assets to be reversed.
b) ITC reversal to be made on reclassification of revenue expenditure to Capital expenditure
c) ITC to be reconciled with GSTR 2B, and for all the unclaimed ITC due to non-appearance inGSTR 2B, to be followed up with the Vendor.
d) Eligibility of all the transactions on which ITC has been claimed
e) ITC to be reversed in case of non-payment to vendor within 180 days from the date of invoice.

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Goods and Services Tax (GST) ...

RCM

a) Expense GLs to be reviewed for transactions on which RCM has to be discharged
b) Reconciliation between RCM liability in GSTR - 2B with RCM liability already discharged
c) Self-invoices to be raised for all the RCM transactions unless invoices received from registered vendors.

Others

a) Corporate Guarantees
b) Cross Charge
c) Credit / Debit Notes
d) No ITC on CSR expenses, goods destroyed, written off / disposed of by way of free samples

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Export Benefits

- Verify all online applications filed for refunds / RoDTEP / drawback
- Whether the export benefits are recorded on accrual basis or cash basis
- How is it presented in the financial statements (i.e. as other operating revenue or other income)

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FEMA

- Ensuring whether transactions fall in automatic route (through AD) or appropriate authorizations have been taken
- Whether foreign exchange management Act forms have been duly filed with the Bank -- ODI, APR, etc.
- Whether any SCN or orders / penalties have been levied?

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Recent Important EAC opinions

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Accounting for Major Spares

Background

The company recognized spare parts as PPE having unit value of more than Rs. 5 lakh and Rs. 1 lakh in case ofcritical spares.

On procurement of major spares, the same are kept at centrally placed stores and capitalized as PPE withoutassigning any useful lives.

Issue	EAC View
Whether useful life of spares estimated technically should consider the life of the intended machine where it will be installed or on a standalone basis?	As per the requirements of Ind AS 16, a spare part should be depreciated considering its useful life, however, that useful life should be estimated in terms of its expected utility to the entity including both the periods of storage and use, considering factors such as, intended use, part to be replaced, historical data, expected obsolescence, etc.

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Accounting for Major Spares ...

Issue	EAC View
Whether, in case of spare parts being capitalized as PPE, date of purchase or date of issue should be considered as the date of available for use under Ind AS?	• The spare part should be capitalized and depreciated from the date it becomes available for use. • The spare is purchased for use as a stand-by, even when it is in store after purchase but before its use in machinery, it is in the location and condition for operating in the manner intended by management and is ready for its intended use of replacement. • Accordingly, the depreciation of spare part should start from the date of its acquisition/purchase itself rather from the date when it is used/fitted.
Whether installation and commissioning expenses for such spares should be considered or ignored while applying depreciation?	• If installation and commissioning costs are not material, they can be recognized in the Statement of Profit and Loss. • However, if these costs are material, they should be added to the carrying amount of PPE when the spare is replaced, provided the recognition criteria in Ind AS 16 are met. The carrying amount of the replaced part, including its installation and commissioning costs, should be derecognized according to Ind AS 16.

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Classification of 'Provision of doubtful debts no longer required written back' …

Background

The Company had made a provision of doubtful debts amounting to Rs. 94.89 crore in earlier year(s) against which it realized a sum of Rs. 18.23 crore from the customers during financial year 2022-23. The balance amount of Rs. 76.66 crore was considered as 'Bad debt' and charged to PL and entire provision for doubtful debts amounting to Rs. 94.89 crore was credited to PL under the head 'Other Income'.

Since trade receivable is the amount to be realized from customer in the normal course of operation, should the writing back of provision against trade receivable be shown under 'Other operating revenues' or 'Other income'?

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Classification of 'Provision of doubtful debts no longer required written back' …

EAC View
The Committee notes that the impairment loss including reversals of impairment losses or gains, determined in accordance with Section 5.5 of Ind AS 109, should be presented separately on the face of the Statement of Profit or Loss. Further, ICAI Guidance Note on Division II - Ind AS Schedule III to the Companies Act, 2013 (Revised January, 2022 Edition) also provides that separate line item should be included in the profit or loss section of the Statement of Profit and Loss to present the impairment losses (including impairment gains or reversals of impairment losses) determined as per Ind AS 109, Section 5.5, in line with paragraph 82 of Ind AS 1. **On the basis of above, the Committee opined that reversal of impairment loss (viz., Rs. 18.23 crore) should be presented in the Statement of Profit and Loss under the line item 'Impairment Losses', as discussed in paragraph 10 above. Therefore, the question of presenting the aforesaid amount as 'other income' or 'other operating revenue' does not arise, as discussed in paragraph 10 above.**

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Classification and Presentation of accrued wages and salaries to employees

Background
Trade Payables under 'Current Liabilities' includes accrued wages and salaries of employees – should the same been shown under 'Provisions (Current)' or 'Trade Payables'?

EAC View
The Committee notes that paragraph 7.4 of the Guidance Note acknowledges trade payables and employee salaries payable as two separate items under current liabilities. Further, paragraphs 54 (k) and (l) of Ind AS 1, 'Presentation of Financial Statements' read with paragraph 70 thereof also indicate that accruals or payables for employee are to be presented separately from 'provisions' and 'trade payables'. The Committee was of the opinion on the issue raised in paragraph 6 above that accrued wages and salaries should not be classified and presented under 'Trade Payables' or under 'Provisions'. **The Company should present accrued wages and salaries of employees under the head 'other current liabilities'** or any other appropriate separate head created for this purpose (when such presentation is relevant to an understanding of the Company's financial position) under 'Current Liabilities' in the balance sheet of the Company, as per the requirements of Division II - Ind AS Schedule III to the Companies Act, 2013.

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Common errors noticed in FS

- **For Corporates:**

- Non-disclosure of ageing. Secured, unsecured, dues from directors etc.

- Final amounts not tallying with the disclosure amounts

- Disclosing share application money as a part of Shareholder's funds

- Cash Flow Statements not tallying

- Incorrect classification of Short term and Long-term borrowings

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Common errors noticed in FS …

- Details of title deeds of immovable property not held in the name of the Company

- Shareholding pattern of the shareholders is not disclosed

- Formula for the Ratios was not disclosed

-Reconciliation of Cash and cash equivalents not done in Cash Flows

- Definition of Related Party disclosures not followed

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Common errors noticed in FS …

- **For Non-corporates:**

- Presenting financial statements in Horizontal format rather than Vertical format

- Tax provisions are missed

- Employee benefit provisions are missed

- MSME disclosures are missed to be given

- Not clear in which accounting standards to follow

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Common errors noticed in FS …

- Applicability exceptions/ relaxations to the entity
- Preparation of accounting policies
- Incorrect terminology used
- Cross referencing
- Rounding off

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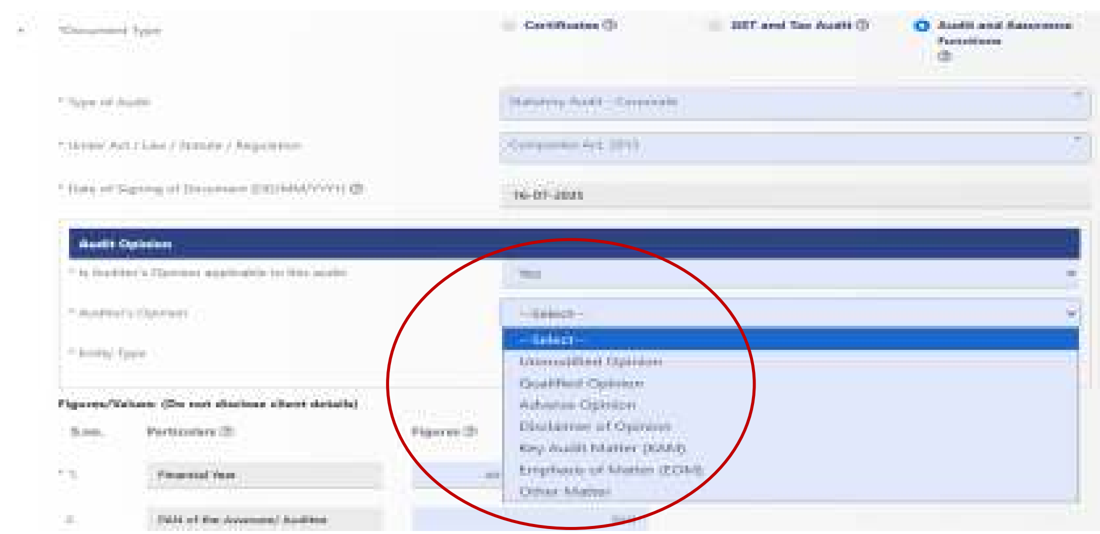
UDIN updates

From 20th June 2025 the auditors are required to mention about the Audit Opinion while generating the UDIN.



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