FINANCIAL LITERACY



FOR

DIRECTORS





CA. PRAMOD JAIN

FCA, FCS, FCMA, LL.B, MIMA, DISA

30th November 2017, IOD

Director's Report

Auditor's Report

Financial Statements

Balance Sheet

Profit /Loss

Statement of changes in equity, if any

Cash Flow

Notes



CA. Pramod Jain **ISSUES Impacting Technical Finance Disclosures** Non-Formats, impacting compliances wordings etc **Financial** resulting in **Decisions Huge fines**

FILING OF FS

- To be filed with ROC in Form AOC -4 within 30 days of AGM
- Notified Companies in XBRL
- If filed after 300 days !!
- × Fine on
 - +Company 1k p. d > 10 L;
 - +MD, etc in charge by Board- if no one all directors
 - ×Imp. upto 6 mnths or
 - ×Fine 1L k to 5L or Both

BASICS – CURRENT VS. NON-CURRENT

- Current Asset satisfies any of following criteria;
 - + In the company's normal operating cycle it is;
 - ×Intended for sale; or
 - ×Intended to be consumed; or
 - **Expected to be realized.**
 - + Held primarily for the purpose of being traded; or
 - + Expected to be realized within 12 months after reporting date; or
 - + Cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

BASICS - CURRENT LIABILITY

- A liability would be a current liability if it satisfies any of the following criteria; if it is:
 - + Expected to be settled in the company's normal operating cycle; or
 - + Held primarily for the purpose of being traded; or
 - + Due to be settled within 12 months after reporting date; or
 - + The company does not have an unconditional right to defer settlement of liability for at least 12 months after reporting date. Terms of a liability that could, at option of counterparty, result in its settlement by issue of equity do not affect its classification

BALANCE SHEET AS AT ... Pramod Jain

Particulars	Note No.	Figures as at the end of the current reporting period	Figures as at the end of the previous reporting period
I. EQUITY AND LIABILITIES			189
(1) Shareholders' Funds			11//
(2) Share Application Money Pending Allotment			7 (1)
(3) Non-Current Liabilities			/ 10
(4) Current Liabilities			
TOTAL			////-
II. ASSETS			
(1) Non-Current Assets			
(2) Current Assets			1/1/1/2
TOTAL		35	

FORM OF BALANCE SHEET (PART 1)

I OITIVI OI BITEITI			
Particulars	Note No.	Figures as at the end of the CRP	Figures as at the end of the PRP
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			- 1
(a) Share capital	1		//
(b) Reserve and Surplus	2		//0
(c) Money received against share warrants			
(2) Share application money pending allotment	3		- / 1
(3) Non-current Liabilities			9 10
(a) Long term borrowings	4		1 10
(b) Deferred tax liabilities (net)	5		1.00
(c) Other long term liabilities	6		11/
(d) Long term provisions	7		1/1/1
(4) Current Liabilities			7///
(a) Short term borrowings	8		-X////
(b) Trade payables			/ 1///
(c) Other current liabilities	9		11131
(d) Short term provisions	10	- 2	
TOTA	\L		

IMPORTANT ITEMS - EQUITY & LIAB.

- Reserves Revaluation?
- Trade Payables ageing
- Share Application Money pending allotment
- Loans from friends not allowed
- **×** Loans Current / Non-Current

- * 'Deposit' includes receipt of money by way of deposit or loan or any other form but excludes:
 - + share capital, or capital by partners of a firm;
 - + Amt. received from scheduled bank, co-operative bank, banking company, Development bank, State Financial Corp., IDBI or institution specified by RBI;
 - + Amt. received in ordinary course of business by way of security deposit, dealership deposit, earnest money, advance agst goods, properties or services
 - + Amt. received by a registered money lender other than a body corporate;
 - + Amt. received by way of subscriptions of a 'Chit'.

- Paragraph 2(1)(xii) of the NBFC Acceptance of Public Deposits (Reserve Bank) Directions, 1998 defines a 'public deposit' as a 'deposit' as defined under Section 45 I(bb) of the RBI Act, 1934 and further excludes the following:
 - + amount received from the Central/ State
 Government or any other source where repayment is
 guaranteed by Central/ State Government or any
 amount received from local authority or foreign
 government or any foreign citizen/ authority/
 person;

- any amount received from FIs specified by RBI for this purpose;
- **x** any amount received by a Co. from any other Co,. (ICD);
- amount received by way of subscriptions to shares, stock, bonds or debentures pending allotment or by way of calls in advance if such amount is not repayable to the members under AoA of the company;
- amount received from directors of a company or from its shareholders by private company or by a private company which has become a public company;
- amount raised by issue of bonds or debentures secured by mortgage of any immovable property or other asset of the company subject to conditions;

- Amt. raised by issuance of NCD with maturity more than 1 year & having minimum subscription per investor at ₹ 1 crore & above, provided it is in accordance with the guidelines issued by the Bank.
- amount brought in by promoters as unsecured loan;
- amount received from a mutual fund;
- amount received as hybrid debt or subordinated debt;
- amount received from a relative of director of an NBFC;
- **x** amount received by issuance of Commercial Paper.
- Amt. received by systemically important non-deposit taking NBFC by way of 'perpetual debt instruments'
- × Amt. raised through infrastructure bonds by Infra. FC

NBFC MFI

- NBFC-MFI is non-deposit taking NBFC having not less than 85% of its assets in nature of qualifying assets which satisfy following criteria:
 - + Ioan disbursed by NBFC-MFI to a borrower with a rural household annual income > ₹ 1 L or urban & semi-urban household income > ₹ 1.6 L
 - + loan amount >₹ 50K in 1st cycle & ₹ 1 L in subsequent cycles;
 - + total indebtedness of borrower >₹ 1L
 - + tenure of loan not to be less than 24 months for loan amount in excess of ₹ 30 K with prepayment without penalty;
 - + loan to be extended without collateral;
 - + aggregate amount of loans, given for income generation, is not less than 50 % of total loans given by the MFIs;
 - + loan is repayable on weekly, fortnightly or monthly instalments

FORM OF BALANCE SHEET (PART 2)

Particulars	Note No.	Figures as at the end of the CRP	Figures as at the end of the PRP
II. ASSETS			
(1) Non-current assets (a) Fixed assets (i) Tangible assets (ii) Intangible assets (iii) Conital work in progress	11 12		
 (iii) Capital work-in-progress (iv) Intangible assets under development (b) Non- current investments (c) Deferred tax assets (Net) (d) Long term loans and advances (e) Other non-current assets 	13 14 15		
(2) Current assets (a) Current investments (b) Inventories (c) Trade receivables (d) Cash and cash equivalents (e) Short term loans and advances (f) Other current assets	16 17 18 19 20		
TOTAL		Ju /	

IMPORTANT ITEMS - ASSETS

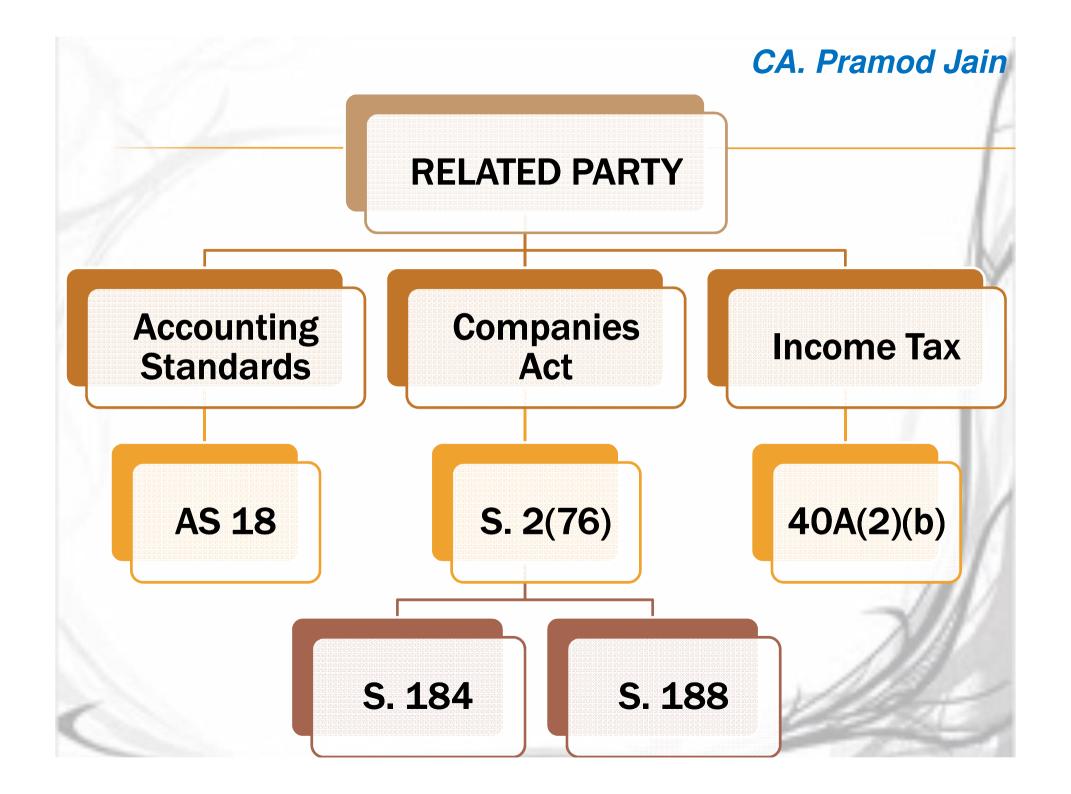
- Tangible Assets Immovable property related to business?
- Tangible Assets Non earning assets vehicles?
- Depreciation as per Schedule II
- Intangible assets Real? self generated?
- Investments required? Subsidiary & Associates CFS
- x Loans & Advances business? Subsidiary & Associates directors?
- Inventory valuation? slow / non-moving INSURANCE
- Trade Receivables > 6 Months ageing > 1 yr doubtful Provision

CA. Pramod Jain FORM OF STATEMENT OF PROFIT AND LOSS

Particulars Partic	Note No.	Figures for the CRP	Figure for the PRP
I. Revenue from operations	21		- 1
II. Other income	22		4.0
III Total Revenue (I + II)			- /10
Iv. Expenses	23		119
V. Profit before exceptional and extraordinary items and tax (III - IV)			- 10
VI. Exceptional items	24		7.8
VII. Profit before extraordinary items and tax (V-VI)			/ III
VIII. Extraordinary items	25		1 10
IX. Profit before tax (VII-VIII)			1. 40
X. Tax Expenses	26	14.2	
XI. Profit (loss) for the period from continuing operations (IX-X)			11/1/11
XII Profit (Loss) from the discontinuing business	27		1/11/1/
XIII Tax expenses of discontinuing operations	28		VIII/1
XIV. Profit (Loss) from discontinuing operations (after tax) (XII-XIV)		/	11/4
XV. Profit (Loss) for the period (XI+XIV)	29	100	
XVI. Earnings per equity share	72	200	9215

IMPORTANT ITEMS - NOTES

- Significant Accounting Policies
- Contingent Liabilities pending litigation, tax disputes, claims against company
- **× Commitments future commitments**
- **×** Foreign Currency Transactions
- **×** Related Party Transactions
- Loans given Interest charged



AMENDMENT - DEMONETIZATION

Every company to disclose details of SBN held & transacted during 8/11/2016 to 30/12/2016. Auditor also to report

	SBNs	Other denomina tion notes	Total
Closing cash in hand as on 8.11.2016			
(+) Permitted receipts			
(-) Permitted payments			
(-) Amount deposited in Banks			
Closing cash in hand as on 30.12.2016			

STANDARDS

- ***Accounting Standards**
- **×IFRS**
- ***** Convergence to IFRS Ind AS
- **×** Auditing Standards
- Secretarial Standards
- **Standards of Internal Audit**
- Income Computation & Disclosure Standards (ICDS)

ACCOUNTING STANDARDS



Entities

Corporate

Non-Corporate

Companies (Accounting Standards) Rules, 2006

Ind AS

ICDS

AS issued by ICAI

ICDS

AS APPLICABILITY

AS	Short Title	Corporate		Non- Corporate Entities		
No.		Non-SMC	SMC	Level I	Level II	Level III
1	Accounting Policies	Y	Y	Y	Y	Y
2	Inventories	Y	Y	Y	Y	Y
3	Cash Flow	Y	N	Y	N	N
4	Events after Balance Sheet date	Y	Y	Y	Y	Y
5	Prior Period Items & Policies	Y	Y	Y	Y	Y
6	Depreciation (Omitted w.e.f. 30.3.16)	Y	Y	Y	Y	Y
7	Construction	Y	Y	Y	Y	Y
9	Revenue	Y	Y	Y	Y	Y
10	Property, Plant & Equipment	Y	Y	Y	Y	Y
11	Foreign Exchange	Y	Y	Y	Y	Y
12	Government Grants	Y	Y	Y	Y	Y
13	Investments	Y	Y	Y	Y	Y
14	Amalgamations	Y	Y	Y	Y	Y
15	Employee Benefits	Y	Partly	Y	Partly	Partly

AS APPLICABILITY

16	Borrowing Cost	Y	Y	Y	Y	Y
17	Segment	Y	N	Y	N	N
18	Related Party	Y	Y	Y	Y	N
19	Leases	Y	Partly	Y	Partly	Partly
20	Earning Per Share	Y	Partly	Y	Partly	Partly
21	Consolidation	Y (listed)	N	Y (listed)	N	N
22	Deferred Taxes	Y	Y	Y	Y	Y
23	Consolidated Statements	Y (listed)	N	Y (listed)	N	N
24	Discontinuing Operation	Y	Y	Y	Y	N
25	Interim Reporting	Y (listed)	N**	Y (listed)	N**	N**
26	Intangible Assets	Y	Y	Y	Y	Y
27	Interest in Joint Ventures	Y (listed)	N	Y (listed)	N	N
28	Impairment	Y	Partly	Y	Partly	Partly
29	Contingency	Y	Partly	Y	Partly	Partly

IMPORTANT AMENDMENTS IN AS

- **× With effect from 30.03.2016**
- AS 4 no provision for proposed dividends now
- AS 6 omitted
- × AS 10 now includes Depreciation too Title Property Plant & Equipment
 - + Revaluation model or Cost model
 - + Change in depreciation is now accounting estimate
 - + More disclosures restrictions, pledge on PPE
 - Component accounting

IND AS - ROADMAP FOR OTHER THAN NBFC & INSURANCE COS.

From FY 2015-16

From FY 2016-17

From FY 2017-18

Any company voluntary

- All companies having net worth of rupees 500 crore or more.
- Holding, subsidiary, joint venture or associate companies of above companies.
- Cos. whose equity or debt securities are <u>listed</u> or are in the process of being listed on any stock exchange in India or outside India and having net worth of < Rs. 500 crore.
- Unlisted companies having net worth of Rs.
 250 crores or more but less than Rs. 500 crore.
- Holding, subsidiary, joint venture or associate companies of above companies.

STANDARDS COMPARISON

AS	Ind AS	IFRS
AS 1-29	IND AS 101-114	IFRS 1-16
	Ind AS 1-41	IAS 1-41
Guidance Notes	(Interpretation included as appendix to relevant standard)	IFRIC and SIC
Expert Advisory Committee Opinion	Bulletins of Ind AS Transition Facilitation Group (ITFG)	

LIST OF IND AS

Ind AS 101	First-time Adoption of Indian Accounting Standards
Ind AS 102	Share-based Payment
Ind AS 103	Business Combinations
Ind AS 104	Insurance Contracts
Ind AS 105	Non-current Assets Held for Sale and Discontinued Operations
Ind AS 106	Exploration for and Evaluation of Mineral Resources
Ind AS 107	Financial Instruments: Disclosures
Ind AS 108	Operating Segments
Ind AS 109	Financial Instruments
Ind AS 110	Consolidated Financial Statements
Ind AS 111	Joint Arrangements
Ind AS 112	Disclosure of Interests in Other Entities
Ind AS 113	Fair Value Measurement
Ind AS 114	Regulatory Deferral Accounts

LIST OF IND AS ... CONTD

Ind AS 1	Presentation of Financial Statements
Ind AS 2	Inventories
Ind AS 7	Statement of Cash Flows
Ind AS 8	Accounting Policies, Changes in Accounting Estimates and Errors
Ind AS 10	Events after the Reporting Period
Ind AS 11	Construction Contracts
Ind AS 12	Income Taxes
Ind AS 16	Property, Plant and Equipment
Ind AS 17	Leases
Ind AS 18	Revenue
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Ind AS 20	Accounting for Government Grants and Disclosure of Government Assistance
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Ind AS 23	Borrowing Costs
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Ind AS 27	Separate Financial Statements
Ind AS 28	Investments in Associates and Joint Ventures
Ind AS 29	Financial Reporting in Hyperinflationary Economies
Ind AS 32	Financial Instruments: Presentation
Ind AS 33	Earnings per Share
Ind AS 34	Interim Financial Reporting
Ind AS 36	Impairment of Assets
Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets
Ind AS 38	Intangible Assets
Ind AS 40	Investment Property
Ind AS 41	Agriculture

REPORT - COMPANIES

- Inquiry u/s 143(1) 6 points only to be reported when comments required
- > Report to include:
 - Matters specified u/s 143(3) 9 points
 - Matters specified in Rules 3 points
 - ➤ Any order made u/s 143(3) for specified Companies in consultation with NFRA CARO 2016 16 points

IMPORTANT IN AUDITOR REPORT

- Pending litigation
- **× CARO Points**
 - + Deposits
 - + Loans given 185 / 186
 - + Related Party Transactions
 - + Statutory dues payable
 - + Any adverse comment
- Audit report
 - + Modified Report?
 - × Qualification
 - × Emphasis matter

IFC / ICFR

S.	Responsible	Remarks
134	Director Responsibility Statement	Listed Co – Directors have laid down IFC to be followed by the Co. & that such controls are adequate & operating effectively
R. 8(5)(viii)	Director Report	Details in respect of adequacy of internal financial controls with reference to the Financial Statements
143	Auditor Report	The Co, has adequate IFC system and operating effectiveness of such controls
177	Audit Committee	AC may call for comments of auditors about IFC before their submission to Board & may also discuss related issues with internal & statutory auditors & management of Co.
Sch. IV	Independent Directors	To satisfy themselves on integrity of financial information & ensure that financial controls & systems of risk management are robust & defensible

INTERNAL FINANCIAL CONTROL- IFC

- IFC means policies & procedures adopted by co. for ensuring :
 - Orderly & efficient conduct of its business, including adherence to company's policies,
 - **×**Safeguarding of its assets,
 - ×Prevention and detection of frauds and errors,
 - ×Accuracy and completeness of the accounting records,
 - Timely preparation of reliable financial information

IFC APPLICABILITY W.E.F. 13.7.2017

- Not applicable to Private company which is:
 - +OPC; or
 - +Small Company; or
 - +Which has turnover less than Rs. 50 crores as per latest audited financial statement and which has aggregate borrowings from banks or financial institutions or any body corporate at any point of time during the FY less than Rs. 25 crore.

AUDIT COMMITTEE

- Following Cos to constitute Audit committee:
 - + Listed companies
 - + Public companies having capital > Rs. 10 Crore;
 - + Public companies having turnover ≥ Rs. 100 Crore;
 - + Public companies, having in aggregate, outstanding loans, borrowings, deposits, etc > Rs. 50 Crore
- Limits as per last audited FS

AUDIT COMMITTEE - SEBI

- SEBI (Listing Obligation & Disclosure Req.)
 - Listed Co to constitute qualified and Independent Audit Committee
 - + Minimum 3 directors as members
 - +2/3rd to be independent directors
 - +All members of audit committee shall be financially literate (read and understand basic FS) and at least 1 member shall have accounting or related financial management expertise

TAX LAWS

- ×Indirect − (GST)
- **★ Direct Income Tax**
 - +Tax Audit
 - +TP Audit
 - +ICDS
 - + Various Returns & Compliances TDS / TCS
 - +GAAR Tax benefit 3 Crs
 - +POEM 50 Cr.
 - +Undisclosed Incomes S. 115BBE

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