

# Financial Reporting for Non-Corporates Enhancing Audit Quality



ICAI – Chandigarh Branch (NIRC)

19<sup>th</sup> July 2025

CA. PRAMOD JAIN

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

# Financial Reporting Requirement

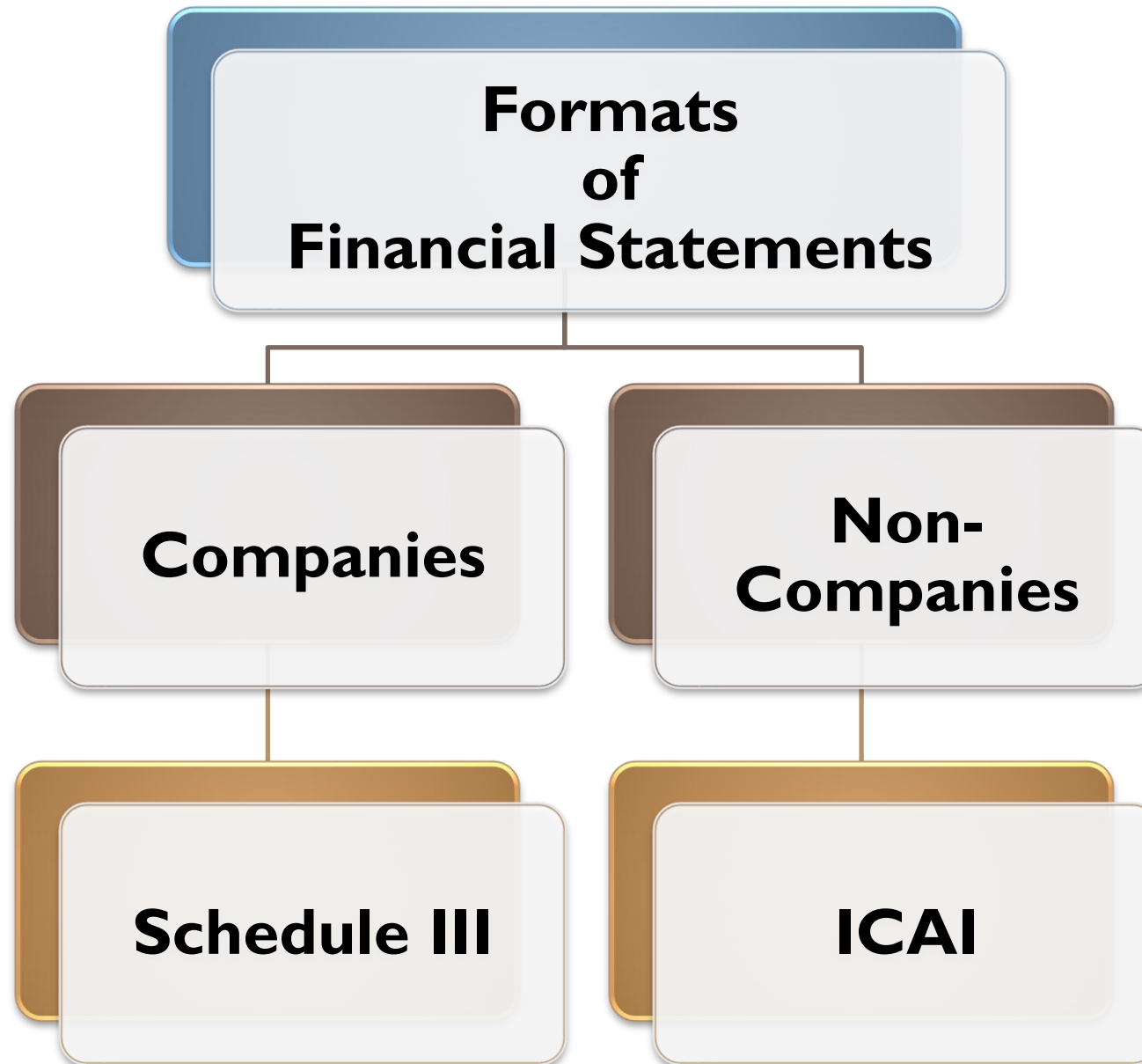
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graph LR; A[Financial Reporting Requirement] --> B[Financial Statements]; A --> C[Audit Report]; B --> D[Accounting Standards]; C --> E[Auditing Standards];
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**Financial Statements**

**Accounting Standards**

**Audit Report**

**Auditing Standards**



# SCHEDULE III

## ❖ Division I

### ❖ Companies (Accounting Standard) Rule 202 I

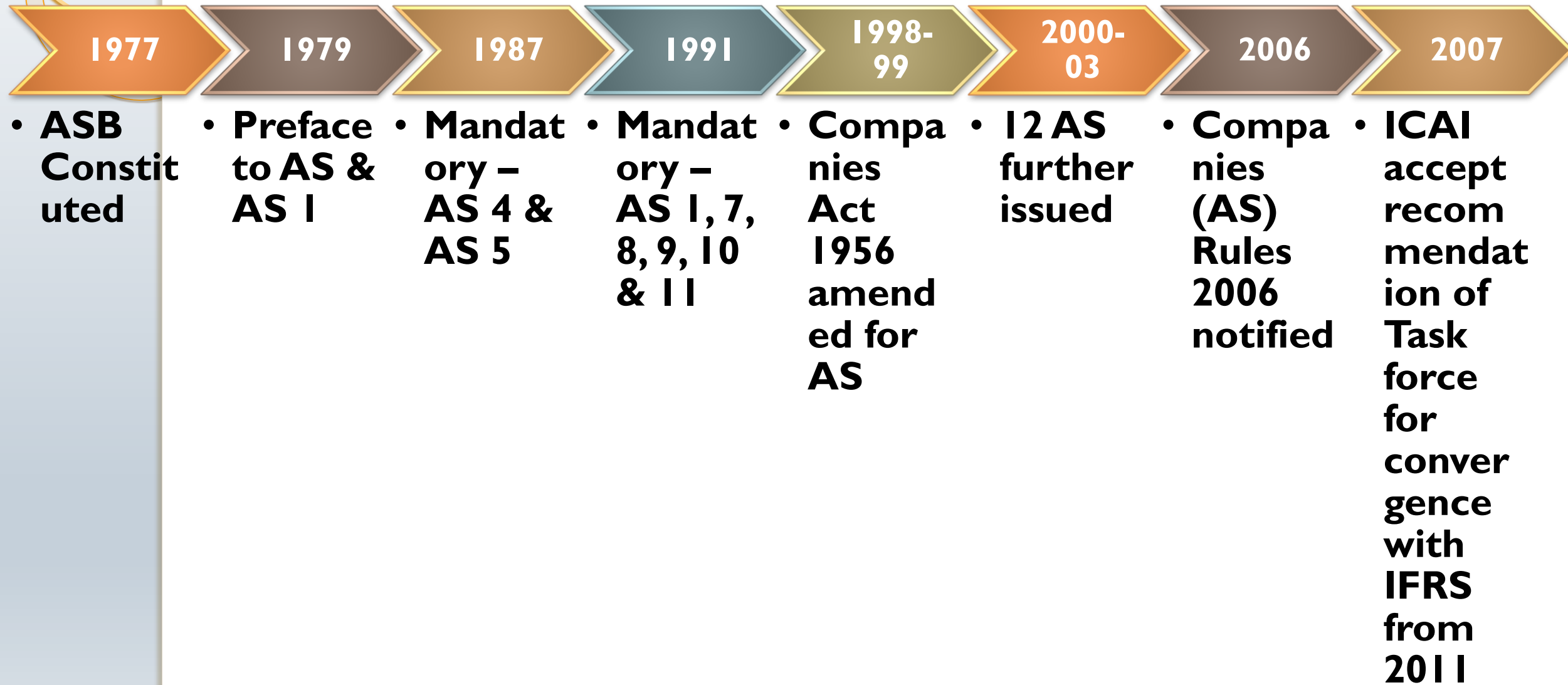
## ❖ Division II

### ❖ Ind AS

## ❖ Division III

### ❖ NBFC – Ind AS

## Standard Setting Journey So Far.....



## **Standard Setting Journey So Far.....**

2011	2015	2016	2017	2018- 19	2021	2023	2024
<ul style="list-style-type: none"> <li>IFRS converged Ind AS hosted on MCA website</li> </ul>	<ul style="list-style-type: none"> <li>39 Ind AS notified with Roadmap under Companies Act 2013</li> </ul>	<ul style="list-style-type: none"> <li>MCA notified revision in AS 2, AS 4, AS 10, AS 13, AS 14, AS 21, AS 29</li> </ul>	<ul style="list-style-type: none"> <li>MCA notified Amendments to Ind AS 102 and Ind AS 7</li> </ul>	<ul style="list-style-type: none"> <li>MCA notified Ind AS 115 &amp; 116 and Amendments to various Ind AS</li> </ul>	<ul style="list-style-type: none"> <li>MCA notified AS Rules, 2021.</li> <li>Revision in Criteria for classification of non-company entities.</li> </ul>	<ul style="list-style-type: none"> <li>Formats for FS for Non-Corporates, LLP &amp; NPO</li> <li>21<sup>st</sup> April – CA Day</li> </ul>	<ul style="list-style-type: none"> <li>TG on Cash basis of accounting</li> <li>Revision in Criteria for classification of non-company entities.</li> </ul>

# Recognition of Accounting Standards by Regulators

1999

Legal recognition to Accounting Standards issued by the ICAI under Companies Act

2001

SEBI mandated all listed companies to mandatorily comply with AS

2002

IRDAI required insurance companies to comply with AS

2003

Reserve Bank of India issued guidelines for Bank for strict compliance of AS



ASB also engages with the Regulators on various accounting issues and support their capacity building initiatives.

# AS

- **Companies (Accounting Standards) Rules, 2021 notified vide notification dated 23.06.2021**
- **These have replaced Companies (Accounting Standards) Rules, 2006**
- **Effective for accounting periods commencing on or after 1<sup>st</sup> April, 2021**



# AS APPLICABILITY FOR COMPANIES

Conditions	SMC		Other than SMC	
	Existing	Revised	Existing	Revised
<b>Turnover (excluding other Income) in PY</b>	<b>&lt; 50 Cr</b>	<b>&lt; 250 Cr</b>	<b>&gt; 50 Cr</b>	<b>&gt; 250 Cr</b>
<b>Borrowing (including public deposit)</b>	<b>&lt; 10 Cr</b>	<b>&lt; 50 Cr</b>	<b>&gt; 10 Cr</b>	<b>&gt; 50 Cr</b>

## SMC Disclosure

- **From 1.4.2021** - “The Company is a Small and Medium Sized Company (SMC) as defined in the Companies (Accounting Standards) Rules, 2021 notified under the Companies Act, 2013. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company.”
- Two year wait period if change from Non-SMC to SMC

???

- **Are Financial Statements Audited during Tax audit of Prop. Partnership?**
- **Are Notes to accounts prepared for Non-Corporates?**
- **Are Accounting Standards applicable to Non-corporates?**
- **What if there is non-compliance?**
- **Where to Report such non-compliance?**

# Accounting Standards



**Entities that  
are to follow  
AS**

**Companies**

**Other than  
Companies**

**Companies  
(Accounting  
Standards)  
Rules, 2021  
(27 Standards)**

**Ind AS  
(40 Standards)**

**AS issued by  
ICAI  
(27 Standards)**

# AS Applicability for Non-Companies

- Effective for Accounting Periods **from 1.4.2024**. Instead of 4 levels.. Now 2 levels :
  - Large
  - Micro, Small and Medium Sized Entity (MSME)

LEVEL	TURNOVER (in immediately Preceding FY)			BORROWING (in immediately Preceding FY)	
	Existing	Revised		Existing	Revised
<b>I</b> <b>Large</b>	> 250 Cr	> 250 Cr		> 50 Cr	> 50 Cr
<b>II</b> <b>MSME</b>	50-250 Cr	≤ 250 Cr		10-50 Cr	≤ 50 Cr
<b>III</b>	10-50Cr	NA		2-10Cr	NA
<b>IV</b>	< 10 Cr	NA		< 2 Cr	NA

# **MSME Disclosure**

## **Non-Corporate**

- **“The Entity is a Micro Small and Medium Sized Entity (MSME) as per the announcement made by ICAI and has complied with the Accounting Standards insofar as they are applicable to an MSME.”**
- **Two year wait period if change from Large to MSME.**

# AS Applicability

AS No.	Short Title	Companies		Non - Companies	
		Non-SMC	SMC	Large	MSME
1	Disclosure of Accounting Policies	Y	Y	Y	Y
2	Valuation of Inventories	Y	Y	Y	Y
3	Cash Flow Statements	Y	N/Y	Y	N
4	Events after Balance Sheet date	Y	Y	Y	Y
5	Prior Period Items & Changes in Policies	Y	Y	Y	Y
6	Depreciation (Omitted 30.3.16)	NA	NA	NA	NA
7	Construction Contracts	Y	Y	Y	Y
9	Revenue Recognition	Y	Y	Y	Y
10	Property, Plant & Equipment	Y	Y	Y	Partly
11	Changes in Foreign Exchange Rates	Y	Y	Y	Partly
12	Accounting for Government Grants	Y	Y	Y	Y
13	Accounting for Investments	Y	Y	Y	Y
14	Accounting for Amalgamations	Y	Y	Y	N
15	Employee Benefits	Y	Partly	Y	Partly

# AS Applicability

CA. Pramod Jain

AS No.	Short Title	Companies		Non - Companies	
		Non-SMC	SMC	Large	MSME
16	Borrowing Cost	Y	Y	Y	Y
17	Segment Reporting	Y	N	Y	N
18	Related Party Disclosures*	Y	Y	Y	N*
19	Leases	Y	Partly	Y	Partly
20	Earning Per Share	Y	Partly	N	N
21	Consolidated Financial Statements	N/Y	N/Y	(listed)	N
22	Accounting for Taxes on Income	Y	Y	Y	Partly
23	Accounting for Associates in CFS	N/Y	N/Y	(listed)	N
24	Discontinuing Operations	Y	Y	Y	N
25	Interim Financial Reporting	Y (listed)	N**	N**	N
26	Intangible Assets	Y	Y	Y	Partly
27	Interest in Joint Ventures	N/Y	N/Y	(listed)	N
28	Impairment of Assets*	Y	Partly	Y	N*
29	Provisions, Contingent Liab. & Assets	Y	Partly	Y	Partly



# AS Relaxations for MSME

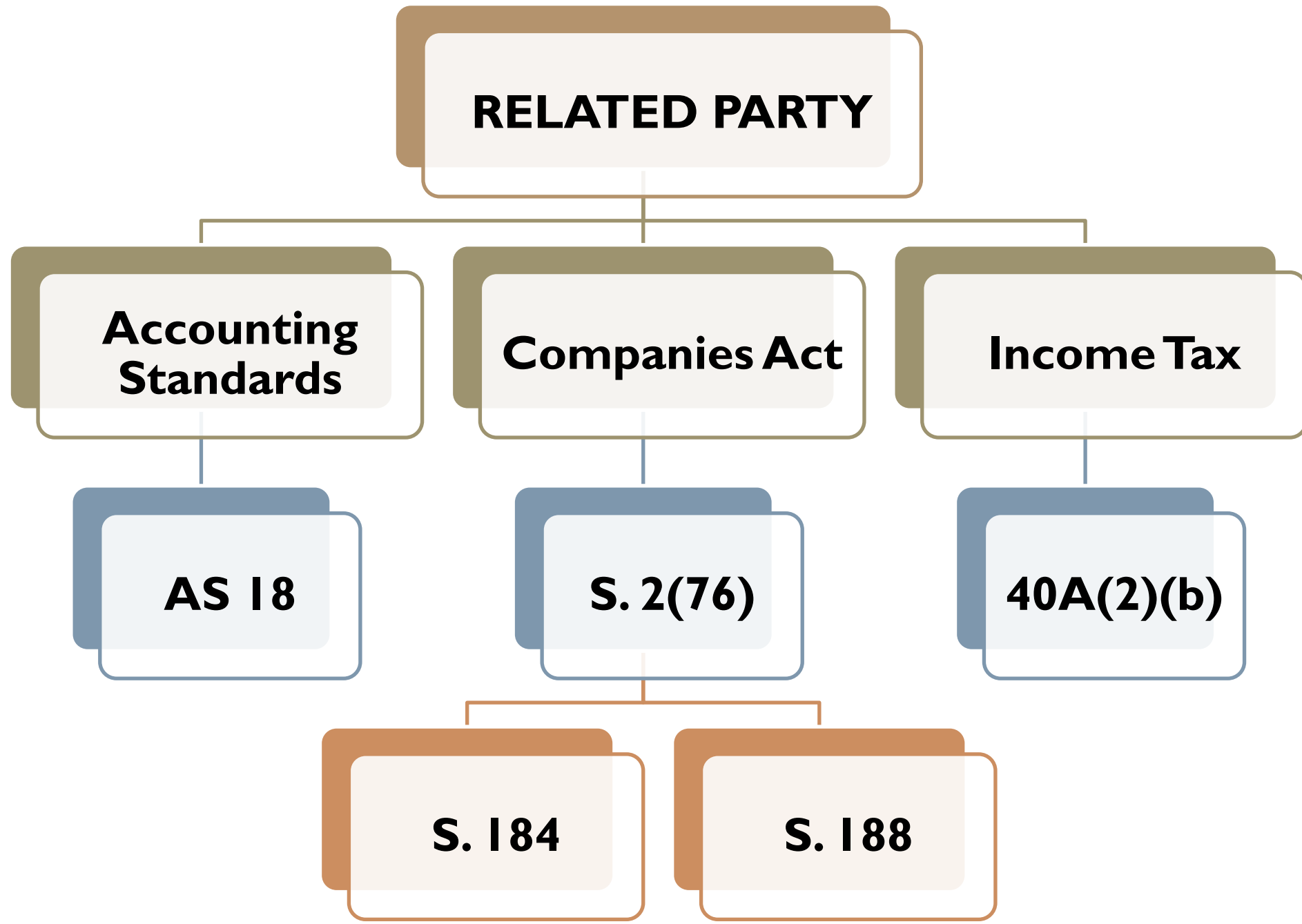
<b>AS 10</b>	<b><i>Property, Plant and Equipment</i></b>	May not comply with paragraph 87 relating to encouraged disclosures.
<b>AS 11</b>	<b><i>The Effects of Changes in Foreign Exchange Rates</i></b>	May not comply with paragraph 44 relating to encouraged disclosures.
<b>AS 15</b>	<b><i>Employee Benefits</i></b>	Paragraph 11 to 16, paragraphs 46 and 139, paragraphs 50 to 116, paragraphs 117 to 123, paragraphs 129 to 131. Discounting not required. Actuarial valuation not mandatory. Instead of following PUCM these entities can follow any other rational method to calculate and account for accrued liability - on assumption that such benefits are payable to all employees at the end of accounting year
<b>AS 19</b>	<b><i>Leases</i></b>	May not comply with paragraph 22 (c), (e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e).

# AS Relaxations for MSME

<b>AS 22</b>	<b><i>Accounting for Taxes on Income</i></b>	To comply with current tax related provisions only. Transitional - the accumulated deferred tax asset/liability appearing in FS of immediate previous accounting period, shall be adjusted against the opening revenue reserves / owner's funds
<b>AS 26</b>	<b><i>Intangible Assets</i></b>	May not comply with paragraphs 90(d)(iii), 90(d)(iv) and 98
<b>AS 28</b>	<b><i>Impairment of Assets</i></b>	Allowed to measure value in use on basis of reasonable estimate instead of PV technique and hence, may not comply with paragraph 121 (g). May not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123.
<b>AS 29</b>	<b><i>Provisions, Contingent Liabilities and Contingent Assets</i></b>	May not comply with paragraphs 66 and 67

## **AS 18 & AS 28**

- **AS 18 (Related Party)**
- **AS 28 ( Impairment)**
- **Applicable if :**
  - **Turnover (excluding other income) exceeds Rs. 50 crore in the immediately preceding accounting year; or**
  - **Have borrowings in excess of Rs. 10 crore at any time during the immediately preceding accounting year**



# Financial Statements Formats by ICAI

**Non-Corporates**

**LLPs**

**NPOs**

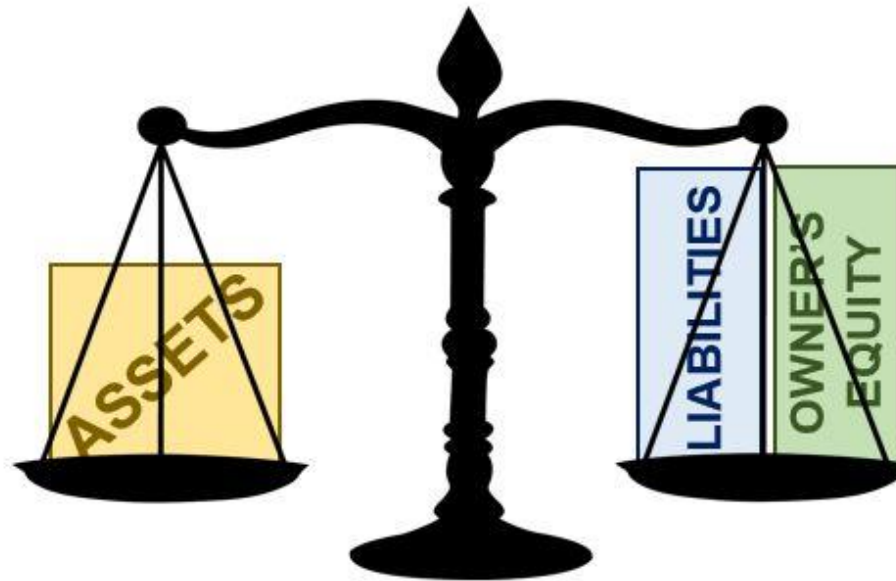
# **Formats of Financial Statements for Non-corporate Entities**

**Proprietorship**

**Partnership**

**LLP**

# Balance Sheet



***It has to balance***

Name of the Non-Corporate Entity .....

Balance Sheet as at .....

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	1	2	3	4
I.	<b>OWNERS' FUND AND LIABILITIES</b>			
	(1) Owners' Fund			
	(a) Owners Capital Account			
	(b) Reserves and surplus			
(2)	<b>Non-current liabilities</b>			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			



# Balance Sheet Items

## Owner's Fund

(Amount in Rs. XX)				
	Particulars	Note No	31 March 20XX	31 March 20XX
I 1. (a)	<b>OWNERS' FUNDS AND LIABILITIES</b>			
	<b>Owners' Funds</b>			
	Owners' Capital Account		-	-
	(i) Owners'/Partners' Capital Account <sup>4</sup>	3a		
	(ii) Owners'/Partners' Current Account <sup>4</sup>	3b		

## Owner's Capital Account A/c

Note - 3 Owners' Capital Account

(Amount in Rs.)									
Sr. No.	Name of Partner/ Proprietor/ Owner	Share of profit/ (loss) (%)	As at 1st April 20XX (Opening Balance)	Capital Introduced/cont ributed during the year	Remuneration for the year	Interest for the year	Withdrawals during the year	Share of Profit / Loss for the year	As at 31st March 20XX (Closing Balance)
1									-
			-	-	-	-	-	-	-
Previous Year (PY)			-	-	-	-	-	-	-

- In case of a prop, it should be sufficient to give the movement as
  - Opening balance
  - Add: Contribution
  - Add/ less : Profit / loss
  - less Withdrawals ( No harm if you need to segregate withdrawals like for tax/ insurances etc)

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.)  _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.)  _____ (DD/MM/YYYY)
	( c) Other Long Term Liabilities			
	Long-term provisions			
(3)	<b>Current liabilities</b>			
	(a) Short-term borrowings			
	(b) Trade payables			
	(c) Other current liabilities			
	(d) Short-term provisions			
	<b>TOTAL</b>			
II.	<b>ASSETS</b>			
(1)	<b>Non-Current Assets</b>			
	(a) Property, Plant and Equipment & Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			

# Current Liabilities

			(Amount in Rs.)	
			31 March 20XX	31 March 20XX
<b>3</b>	<b>Current liabilities</b>			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables			
(i)	Total outstanding dues of micro, small and medium enterprises	9	-	-
(ii)	Total outstanding dues of creditors other than micro, small and medium enterprises	9	-	-
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
			-	-
	<b>Total</b>		-	-

## Other Current Liabilities

		(Amount in Rs.)	
		31 March 20XX	31 March 20XX
<b>10</b>	<b>Other current liabilities</b>		
(a)	Current maturities of finance lease obligations (Refer note XX)	-	-
(b)	Interest accrued but not due on borrowings	-	-
(c)	Interest accrued and due on borrowings	-	-
(d)	Income received in advance	-	-
(e)	Unearned revenue	-	-
(f)	Goods and Service tax payable	-	-
(g)	TDS payable	-	-
(h)	Other payables (specify nature)	-	-
	<b>Total Other current liabilities</b>	-	-

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(iii) Capital work-in-progress			
	(iv) Intangible assets under development			
	(b) Non-current investment			
	(c) Deferred tax assets (net)			
	(d) Long-term loans and advances			
	(e) Other non-current assets			
(2)	<b>Current assets</b>			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and bank balances			
	(e) Short-term loans and advances			
	(f) Other current assets			
	<b>TOTAL</b>			

## Current Assets

2			(Amount in Rs.)	
			31 March 20XX	31 March 20XX
	<b>Current assets</b>			
(a)	Current investments	12	-	-
(b)	Inventories	15	-	-
(c)	Trade receivables	16	-	-
(d)	Cash and bank balances	17	-	-
(e)	Short Term Loans and Advances	13	-	-
(f)	Other current assets	18	-	-
			-	-
	<b>Total</b>		-	-

## Inventories

15	Inventories	31-March-20XX	31-March-20XX
(a)	Raw materials	-	-
(b)	Work-in-progress	-	-
(c)	Finished goods	-	-
(d)	Stock-in-trade	-	-
(e)	Stores and spares	-	-
(f)	Loose Tools	-	-
(g)	Others (Specify nature)	-	-
	<b>Total</b>	-	-

## Other Important Disclosures

- **In case of secured loans, disclose:**
  - **Nature of security**
  - **Terms of repayment**
  - **Where loans guaranteed by owners, details thereof**
- **Details as per section 22 of MSMED Act 2006**
- **PPE schedule for previous year too**
- **Trade Receivables – more than 6 months, less than 6 months – good / doubtful**

# Applicability of GN

The Accounting Standards Board has now prescribed the formats for the presentation of the financial statements of Non-corporate Entities in the form of Guidance Note, which were earlier issued as a part of Technical Guide. The objective is to standardise the formats of financial statements for these entities and to enhance the quality and comprehensiveness of the financial reporting by these entities.

This Guidance Note is relevant for the purpose of preparation of the financial statements of the above mentioned Non-Corporate Entities unless any formats/principles are specifically prescribed by the relevant Statute or Regulator or any Authority, e.g., formats have been prescribed for Trusts under Maharashtra Public Trust Rules, 1951, 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, Guidance has been specifically given by ICAI (e.g., Educational Institutions, Political Parties, NPOs, etc.).



# Changes in Terminology

## GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS OF A NON-CORPORATE ENTITY

1. (a) These formats shall apply for preparation of Balance Sheet and Statement of Profit and Loss of a non-corporate entity. Where compliance with the requirements of the relevant statute including Accounting Standards as applicable to the Non-Corporate entity require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes, inter se, in the financial statements or statements forming part thereof, the same shall be made and the formats shall be modified accordingly.
- (b) This Guidance Note uses terminology that is suitable considering the nature and business of non-corporate entities in general. However, certain non-corporate entities may need to amend the descriptions used for particular line items in the formats of financial statements and for the financial statements themselves, e.g., Association of Persons may need to use terminology “members’ funds” instead of “owners’ funds”.



# STATEMENT OF PROFIT AND LOSS



Name of the Non-Corporate Entity.....  
Statement of Profit and loss for the year ended .....  
(Rupees in.....)

	Particulars	Note	Figures for the current reporting period From ____ To _____	Figures for the previous reporting period From____ To_____
	1	2	3	4
I.	Revenue from operations		xxx	Xxx
II.	Other income		xxx	Xxx
III.	<b>Total Income (I + II)</b>		xxx	Xxx
IV.	Expenses			
(a)	Cost of Material Consumed		xxx	xxx
(b)	Purchases of Stock-in trade		xxx	xxx
(c)	Changes in Inventories of Finished goods, WIP & Stock in trade		xxx	xxx
(d)	Employee benefits expense		xxx	Xxx
(e)	Depreciation and amortization expense		xxx	Xxx
(f)	Finance Cost		xxx	Xxx
(g)	Other expenses		xxx	xxx

## Revenue from Operations

		(Amount in Rs.)	
19	Revenue from operations	31 March 20XX	31 March 20XX
(a)	Sale of products	-	-
(b)	Sale of services	-	-
(c)	Grants or donations received	-	-
(d)	Other operating revenue	-	-
	Revenue from operations (Gross)	-	-
	Less: Excise duty	-	-
	Revenue from operations (Net)	-	-

## Other Income

		(Amount in Rs.)	
20	Other income	31 March 20XX	31 March 20XX
(a)	Interest income	-	-
(b)	Dividend income	-	-
(c)	Net gain on sale of investments	-	-
(d)	Other non-operating income (Please specify)	-	-
	Total other income	-	-

# Partner's Interest

## 3. Finance Costs

Finance costs shall be classified as:

- (a) Interest expense (other than interest on partners'/members' capital);
- (b) Interest on partners'/members' capital;
- (c) Other borrowing costs;
- (d) Applicable net gain/loss on foreign currency transactions and translation.

	Particulars	Note	Figures for the current reporting period (in Rs.) From ____ To ____	Figures for the previous reporting period (in rs.) From ____ To ____
	Total expenses		xxx	xxx
V	Profit before exceptional and extraordinary items, partner's remuneration & tax (III-IV)		xxx	xxx
VI	Exceptional items		xxx	xxx
VII	Profit before extraordinary items, partner's remuneration and tax (V - VI)		xxx	xxx
VIII	Extraordinary Items		xxx	xxx
IX	Profit before partner's remuneration & tax (VII- VIII)		xxx	xxx
X	<b>Partner's Remuneration</b>			
XI	Profit before Tax (IX-X)			
XII	Tax expense:			
(i)	Current tax		xxx	xxx
(ii)	Excess / Short provision of tax related to earlier years			
(iii)	Deferred tax		xxx	xxx
XIII	Profit (Loss) for the period from continuing operations (XI-XII)		xxx	xxx
XIV	Profit/(loss) from discontinuing operations		xxx	xxx
XV	Tax expense of discontinuing operations		xxx	xxx
XVI	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XVII	Profit/ (Loss) (XI + XIV)		xxx	xxx

## Previous Year Figures

- Framework for preparation and presentation of financial statements
- SA 710 – Comparative Information – Corresponding Figures and Comparative Financial Statements
- To state in Other matter:
  - Para 17 - If the financial statements of the prior period were audited by a predecessor auditor.
  - Para 19 - If the prior period financial statements were not audited.

## **Matters for FS of non-corporates**

- **Rounding off not mandatory**
- **Offset of income / Expenses or Assets / liability**  
**NOT** allowed
- **Disclose Contingent liabilities**
- **Disclose PPE instead of Fixed assets or Tangible assets**
- **Can Penalties / other than business Incomes be credited to capital A/c?**
- **Are list of Trade Receivables / Payables / Unsecured Loans mandatory?**

## **Derecognition / Cessation of Liability**

- **Settlement of a present obligation may occur by:**
  - **payment of cash;**
  - **transfer of other assets;**
  - **provision of services;**
  - **replacement of that obligation with another obligation; or**
  - **conversion of the obligation to equity.**
- **Creditor waiving or forfeiting its rights.**



# **Formats of Financial Statements for NPOs**

**Trusts**

**Societies**



Name of the NPO.....

Balance Sheet as at .....

(Rs. in.....)

	Particulars	Note	31 March 20XX	31 March 20XX
<b>I</b>	<b>Sources of Funds</b>			
<b>I</b>	<b>NPO Funds</b>	<b>3</b>	<b>0</b>	<b>0</b>
(a)	Unrestricted Funds			
(b)	Restricted Funds			
<b>2</b>	<b>Non-current liabilities</b>			
(a)	Long-term borrowings	<b>4</b>	-	
(b)	Other long-term liabilities	<b>5</b>	-	-
(c)	Long-term provisions	<b>6</b>	-	-
<b>3</b>	<b>Current liabilities</b>			
(a)	Short-term borrowings	<b>4</b>	-	-
(b)	Payables	<b>7</b>		
(c)	Other current liabilities	<b>8</b>	-	-
(d)	Short-term provisions	<b>6</b>	-	-
	<b>Total</b>		-	-

Name of the NPO.....

Balance Sheet as at .....

	Particulars	Note	31 March 20XX	31 March 20XX
<b>II</b>	<b>Application of Funds</b>			
<b>1</b>	<b>Non-current assets</b>			
<b>(a)</b>	<b>Property, Plant and Equipment and Intangible assets</b>	<b>9</b>		
<b>(i)</b>	<b>Property, Plant and Equipment</b>			
<b>(ii)</b>	<b>Intangible assets</b>			
<b>(iii)</b>	<b>Capital work in progress</b>			
<b>(iv)</b>	<b>Intangible asset under development</b>			
<b>(b)</b>	<b>Non-current investments</b>	<b>10</b>	-	-
<b>(c)</b>	<b>Long Term Loans and Advances</b>	<b>11</b>	-	-
<b>(d)</b>	<b>Other non-current assets (specify nature)</b>	<b>12</b>	-	-
<b>2</b>	<b>Current assets</b>			
<b>(a)</b>	<b>Current investments</b>	<b>10</b>	-	-
<b>(b)</b>	<b>Inventories</b>			
<b>(c)</b>	<b>Receivables</b>	<b>13</b>	-	-
<b>(d)</b>	<b>Cash and bank balances</b>	<b>14</b>	-	-
<b>(e)</b>	<b>Short Term Loans and Advances</b>	<b>11</b>	-	-
<b>(f)</b>	<b>Other current assets</b>	<b>15</b>	-	-
	<b>Total</b>			

# Income & Expenditure A/c



Name of the Non-Corporate Entity.....

Income and Expenditure Account for the year ended .....

(Rupees in.....)

	Particulars	Note	31 March 20XX			31 March 20XX		
			Unrest ricted funds	Restri cted funds	Total	Unres tricted d funds	Restri cted funds	Total
<b>I</b>	<b>Income</b>							
<b>(a)</b>	<b>Donations and Grants</b>							
<b>(b)</b>	<b>Fees from Rendering of Services</b>							
<b>(c)</b>	<b>Sale of Goods</b>							
<b>II</b>	<b>Other Income</b>	<b>16</b>					-	-
<b>III</b>	<b>Total Income (I+II)</b>						-	-

	Particulars	Note	31 March 20XX			31 March 20XX		
			Unrestric ted funds	Restrict ed funds	Total	Unrestr icted funds	Restrict ed funds	Total
<b>IV</b>	<b>Expenses:</b>							
(a)	Material consumed/distributed	17					-	-
(b)	Donations/contributions paid							
(c)	Employee benefits expense	18					-	-
(d)	Depreciation and amortization expense	19					-	-
(e)	Finance costs	20					-	-
(f)	Other expenses	21					-	-
(g)	Religion/charitable expenses							
(h)	Other Expenses (specify nature)							
	<b>Total expenses</b>						-	-
<b>V</b>	<b>Excess of Income over Expenditure for the year before exceptional and extraordinary items (III- IV)</b>						-	-

	Particulars	Note	31 March 20XX			31 March 20XX		
			Unrestric ted funds	Restrict ed funds	Total	Unrestr icted funds	Restrict ed funds	Total
VI	Exceptional items (specify nature & provide note/delete if none)						-	-
VII	Excess of Income over Expenditure for the year before extraordinary items (V-VI)						-	-
VIII	Extraordinary Items (specify nature & provide note/delete if none)						-	-
IX	Excess of Income over Expenditure for the year (VII-VIII)						-	-
	Appropriations Transfer to funds, e.g., Building fund							
	Transfer from funds							
	Balance transferred to General Fund							



# Cash System of Accounting



# Cash System

- **AS applicable to the extent applicable**
- **Format use of Non-Corporate / LLP / NPO**
- **AS I – Accrual system**
- **ICAI – 1991 announcement**
  - **In cases where the statute governing the enterprise requires the preparation and presentation of financial statements on accrual basis but the financial statements have not been so prepared, the auditor should qualify his report.**
  - **On the other hand, where there is no statutory requirement for preparation and presentation of financial statements on accrual basis, and the financial statements have been prepared on a basis other than ‘accrual’ the auditor should describe in his audit report, the basis of accounting followed, without necessarily making it a subject matter of a qualification.**

# Cash System

- **Disclosure in the audit report:**
- **“It is the policy of the enterprise to prepare its financial statements on the cash receipts and disbursements basis. On this basis revenue and the related assets are recognised when received rather than when earned, and expenses are recognised when paid rather than when the obligation is incurred.**
- **In our opinion, the financial statements give a true and fair view of the assets and liabilities arising from cash transactions of ..... at ..... and of the revenue collected and expenses paid during the year then ended on the cash receipts and disbursements basis as described in Note X.”**

# Cash System

- **Revenue** - In case, revenue has not been received in cash, however, TDS made and deposited by the payer, in that case, revenue shall be recognised equivalent to the amount of TDS.
- **Borrowing:**
  - Interest on Loans - to be paid
  - Capitalisation of borrowing costs shall commence when expenditure for acquisition, construction or production of a qualifying asset is paid & all activities necessary to prepare qualifying asset for its intended use or sale are in progress.
  - Borrowing costs paid after substantial completion of all activities necessary to prepare qualifying asset for its intended use or sale shall be expensed off.

# Cash System

- **Depreciation** - Recognise depreciation and impairment of assets as expense in PL so that the periodic net result of operations of the entity reflects the use of the asset.
- **Inventories** - Difference arising on valuation of inventories at lower of cost and net realisable value, shall also be recognised in the PL.
- **Taxes** - Tax paid for FY shall be recognised as expense in PL. In case, entity has paid tax more than current tax for FY, and it is reasonably certain that additional tax paid will be received as refund, then it shall expense off amount in PL to the extent of actual current tax and recognise the balance amount as 'tax refund receivable' in the B/s

# AUDIT



True and Fair View



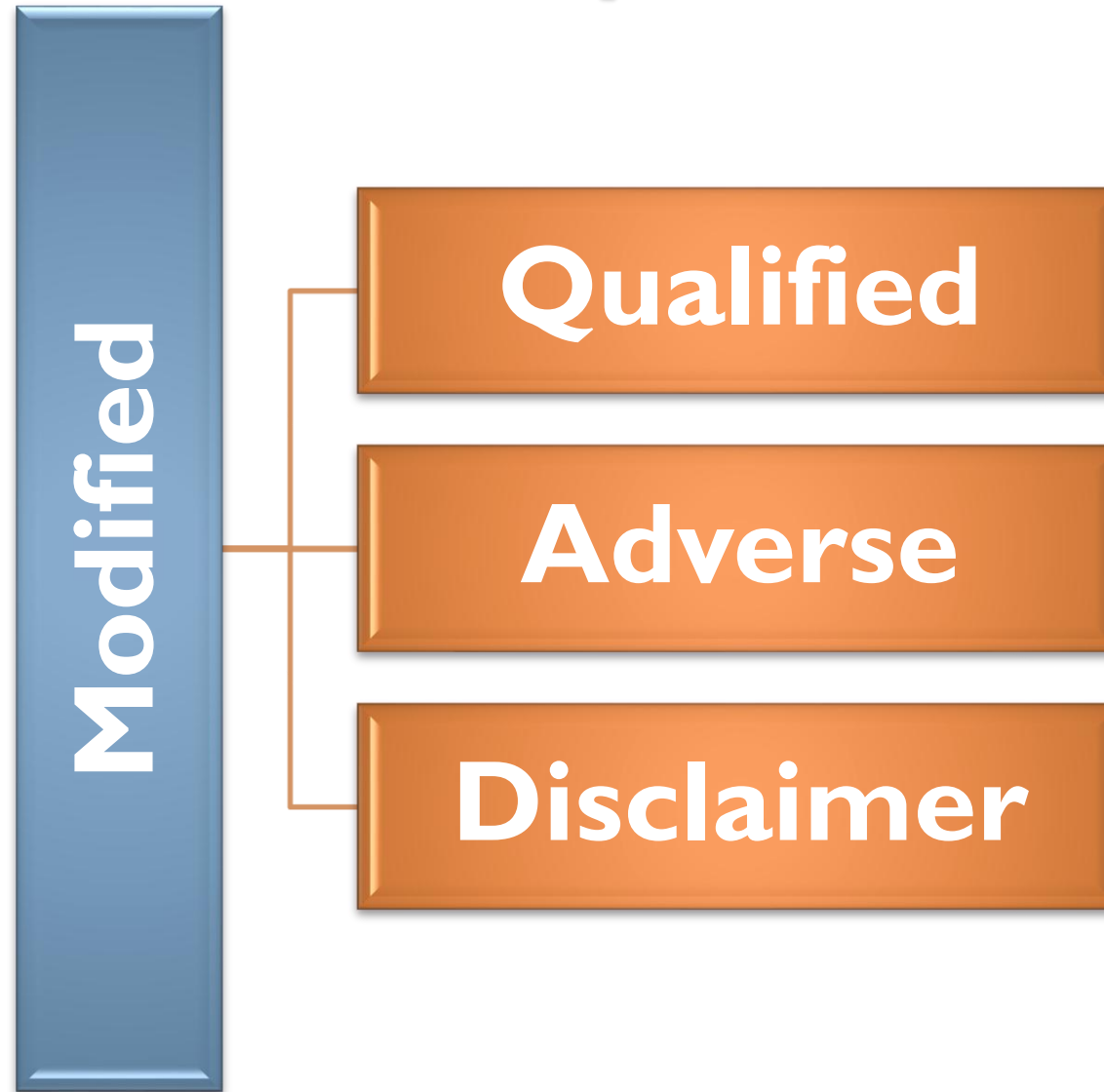
# Types of Audit Reports



**Unmodified**

**Modified**

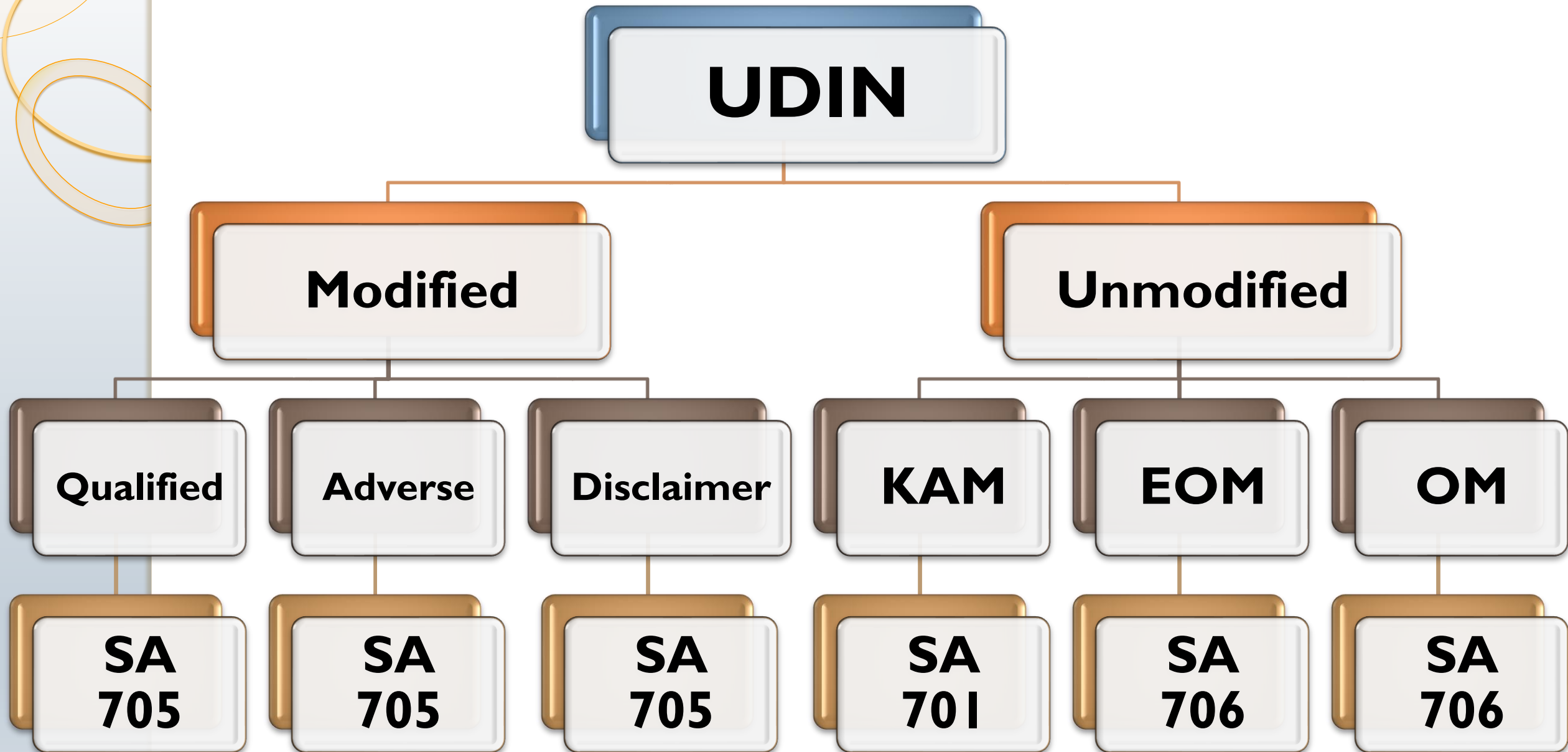
# Modified Audit Reports





# Modified Audit Reports

	Auditor's judgment about Pervasiveness of the matter	
Nature of Matter	Material but <b>NOT</b> Pervasive	Material <b>AND</b> Pervasive
Financial statements are Materially misstated	<b>Qualified Opinion</b> (...except for...)	<b>Adverse Opinion</b> (...do not present true & fair...)
Unable to obtain Sufficient Appropriate Audit Evidence	<b>Qualified Opinion</b> (...except for...)	<b>Disclaimer of Opinion</b> (...we do not express an opinion...)

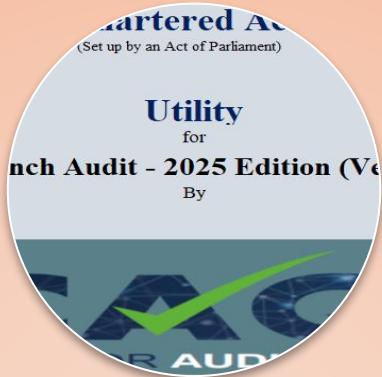


# About CAQD and AQMM



**CENTRE FOR AUDIT QUALITY  
DIRECTORATE**

**TOOLS AND UTILITIES  
DEVELOPED BY  
CAQD**



**Utility for self-  
evaluation  
under AQMM  
v 2.0**



**Utility on  
Engagement  
Letters**



**Utility for  
Determining  
Materiality**



**Review &  
Monitoring  
Tool for  
Standards on  
Auditing  
Compliance**



**Utility for  
Bank Branch  
Audit- 2025  
Edition**

**TOOLS AND UTILITIES DEVELOPED BY CAQD**



# Utility on Engagement Letters

- Generates multiple Engagement Letters (ELs) on single click
- Facilitates standardised EL preparation
- Covers all aspects in a comprehensive format
- Easy to customise EL Templates (Word file)
- Maintains a centralised list of assurance clients
- Beneficial for Peer Review Process

**ELs can be generated for Audit related to:**

Form No. 3CA

Form No. 3CB

Listed Entities

Unlisted  
Entities with IFC

Unlisted Entities  
without IFC

**Users  
of Utility  
as an Auditor**

Individuals

Proprietorship Firms

Partnership Firms/LLPs



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caq@icaai.in @caq\_icaai

Google form link to download  
<https://forms.gle/zB5Qzo5T5GnCZpzy8>

# Utility on Determining Materiality

## DETERMINING MATERIALITY

### *Features:*

- Calculates the Overall Materiality for assurance engagements based on the level of risk assessed.
- Categorization of the Risk Assessment Parameters as Low, Medium or High Risk.
- Different benchmarks for different types of entities given as per the guidance under SA 320.
- Flexibility for choosing the percentage to be applied to the benchmark.
- Revised Materiality level can be calculated as the audit progresses.
- Mapping the impact of the material misstatements on the opinion.
- Documenting the materiality as the utility is in printable version.

Available at CAQ page of ICAI - <https://www.icaai.org/post/special-purpose-directorate-centre-for-audit-quality> or <https://forms.gle/E2SfczXTd8y9ZDHL6>

# Review & Monitoring Tools for SA Compliance

## Salient Features



**'Dashboard' for review and monitoring the status of compliance of each SA.**



**Convenient link of SAs and its Implementation Guide on single click.**



**Broad and illustrative indicative goals to be accomplished.**



**Detailed checklist for each SA separately.**



**Reference of working papers for effective audit documentation.**

**Google form link to download**

**<https://forms.gle/mcXJdMRv4NfZQBKi8>**

**Website - [www.icaai.org](http://www.icaai.org)**





# Audit Quality Maturity Model v 2.0

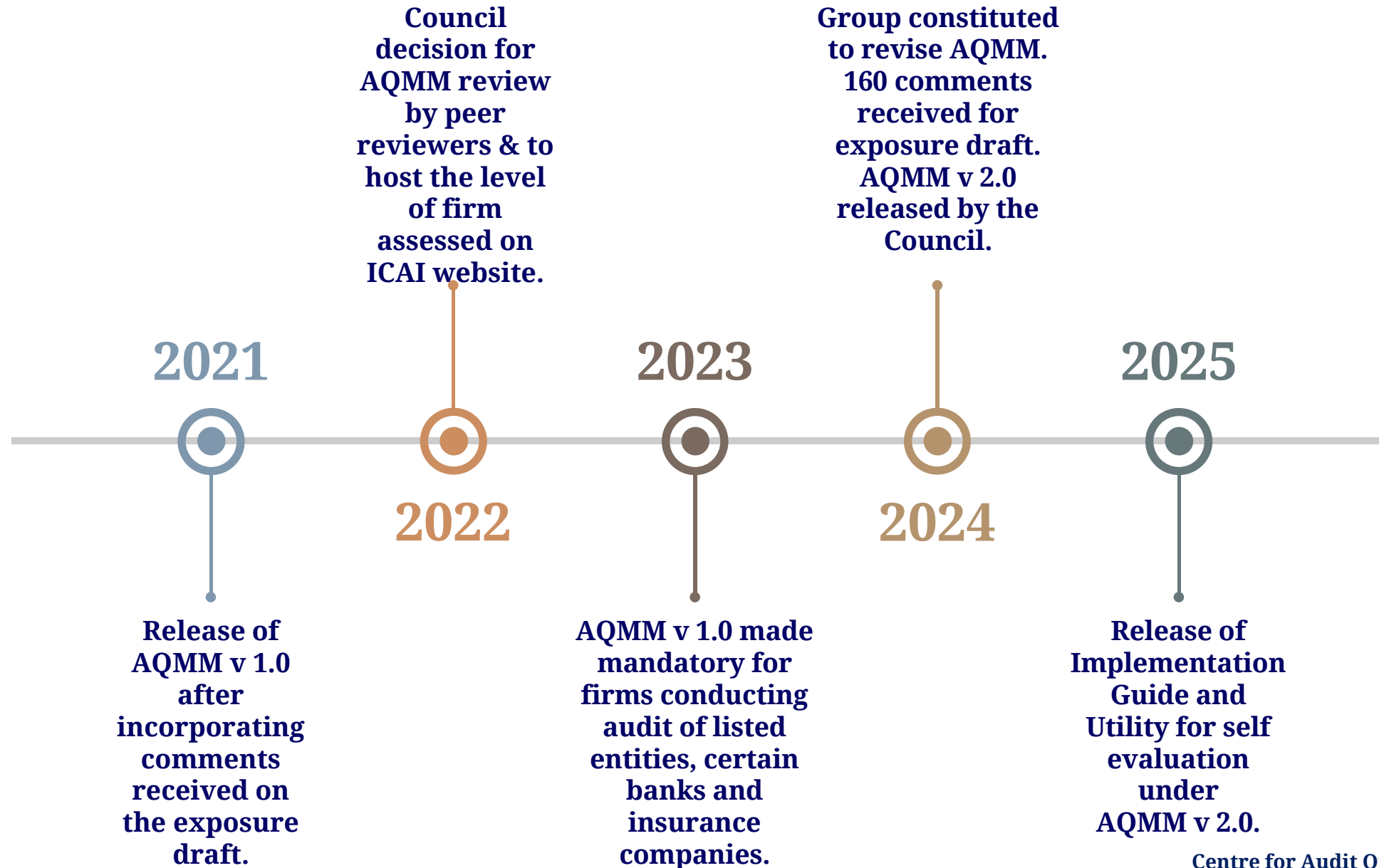
**Centre for Audit Quality**

भारतीय सनदी लेखाकार संस्थान  
(संसद के अधिनियम द्वारा स्थापित)  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
(Set up by an Act of Parliament)



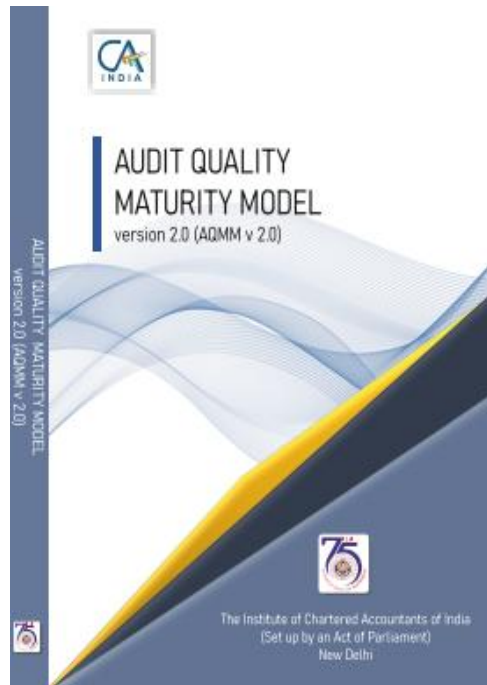


# Journey of Audit Quality Maturity Model (AQMM)

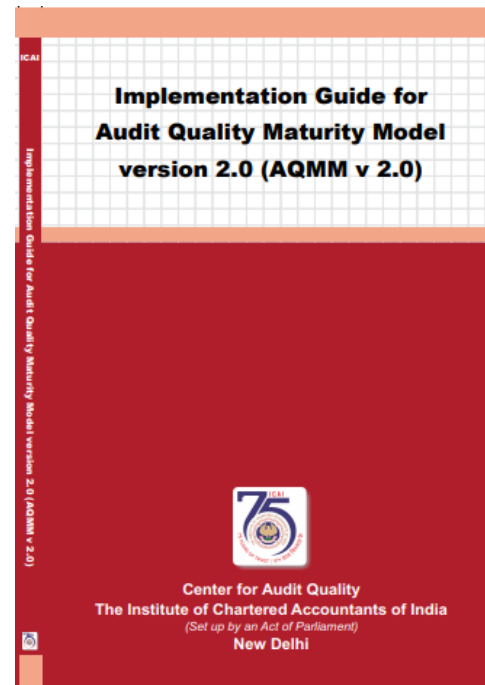




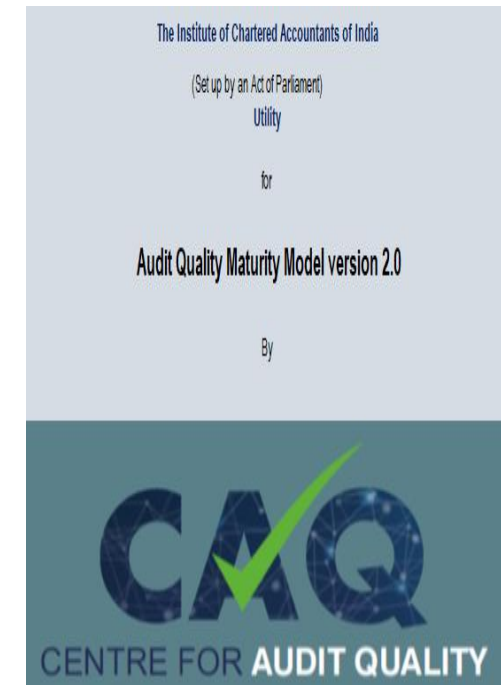
# Audit Quality Maturity Model v 2.0 tool kit



AQMM v 2.0



IG for AQMM



Utility for AQMM



# Score Weightage Comparison

## AQMM v 2.0

Section Reference	Maximum Score	%
Section 1 “Practice Management – Assurance”	370	61.67
Section 2 “Human Resource Management”	150	25.00
Section 3 “Digital Competency”	80	13.33
<b>TOTAL</b>	<b>600</b>	<b>100.00</b>

## AQMM v 1.0

Section Reference	Maximum Score	%
Section 1 “Practice Management – Operations”	280	46.67
Section 2 “Human Resource Management”	240	40.00
Section 3 “Practice Management – Strategic / Functional”	80	13.33
<b>TOTAL</b>	<b>600</b>	<b>100.00</b>



## Minimum Eligibility Criteria for each section

Section Reference	Maximum marks	Minimum % required	Minimum Marks required
Section 1 “Practice Management – Assurance”	370	30 %	111
Section 2 “Human Resource Management”	150	30 %	45
Section 3 “Digital Competency”	80	30 %	24

Eligibility  
Criteria-  
Minimum  
marks to be  
scored under  
each Section

# Ascertainment of Level Overall Range of Score



Level	Scores Received		Narrative
	Greater than or equal to	Less than	
Level 1 Firm	30 %	50 %	Indicates that the firm is very nascent -will have to take immediate steps to upgrade its competency or will be left lagging behind
Level 2 Firm	50 %	70 %	Indicates firm has made some progress - will have to fine-tune further to reach the next level of competency
Level 3 Firm	70 %	85 %	Indicates firm has made substantial progress -will have to fine-tune further to reach the highest level of competency
Level 4 Firm	85 %	100 %	Indicates firms that have made significant adoption of standards and procedures - Should focus on optimising further

The overall ranking of the firm will be determined by computing the percentage of score achieved based on the ratio of the total Actual Score to the Maximum Score.



# Applicability of AQMM v 2.0

- The AQMM v. 1.0 has been made mandatory w. e. f. April 1, 2023, to firms auditing the following entities:
  - Listed Entity
  - Banks other than Co-Operative banks (Except multi-state Co-operative banks)
  - Insurance Companies
- Firms conducting only branch audits are not covered.
- There is no change regarding the applicability of AQMM v 2.0. AQMM v 2.0 is also mandatory for firms auditing the aforesaid entities.

# Applicability of AQMM v 2.0

S. No.	Category of Firms	Date of Applicability (Peer Review conducted on or after)
1	<b>Firms auditing Holding / Subsidiary / Associates / JVs of:</b> a) Listed Entity b) Banks other than Co-Operative banks (Except multi- state Co-operative banks) c) Insurance Companies Firms conducting only branch audits are not to be covered.	<b>April 1, 2026</b>
2	<b>Firms which propose to undertake Statutory Audit of unlisted public companies having paid-up capital of <math>\leq</math> Rs. 500 crores or having annual turnover of <math>\leq</math> Rs. 1000 crores or having, in aggregate, outstanding loans, debentures and deposits of <math>\leq</math> Rs, 500 crores as on the 31<sup>st</sup> March of immediately preceding FY.</b>	<b>April 1, 2026</b>
3	<b>Firms which propose to undertake the Statutory Audit of entities which have raised funds from public or banks or financial institutions of <math>&gt;</math> Rs. 50 Crores during the period under review or of any body corporate including trusts which are covered under public interest entities.</b>	<b>April 1, 2027</b>



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