CA FINAL

AMENDMENT –Financial Reporting

1 In the Revised Schedule VI format, "Foreign Currency Monetary Item Translation Difference Account (FCMITDA)". Should be shown on the "Equity and Liabilities" side of the balance sheet under the head 'Reserves and Surplus' as a separate line item.

2 ICAI has change The 1st criteria of Level II Non-Corporate Entities i.e. determination of SME on turnover basis from ` 40 lakhs to ` 1 Crore.

3 SEBI has decided to prohibit the listed entities from framing any employee benefit schemes involving acquisition of own securities from the secondary market.

4 The MCA has extended the option (for the enterprises) to capitalize the exchange differences arising on reporting of long term foreign currency monetary items till 31st March, 2020

5 Insertion of para 46A in Accounting Standard 11 of the Companies (Accounting Standards) Rules, 2006

Ministry of Corporate Affairs vide its notification number G.S.R 914(E), dated 29th December, 2011, inserted under-mentioned para 46A in AS 11 of the Companies (Accounting Standards) Rules, 2006.

"46A. (1) In respect of accounting periods commencing on or after the 1st April, 2011, for an enterprise which had earlier exercised the option under paragraph 46 and at the option of any other enterprise (such option to be irrevocable and to be applied to all such foreign currency monetary items), the exchange differences arising on reporting of longterm foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital assets, can be added to or deducted from the cost of the assets and shall be depreciated over the balance life of the assets, and in other cases, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long term assets or liability, by recognition as income or expense in each of such periods, with the exception of exchange differences dealt with in accordance with the provisions of paragraph 15 of the said rules.

(2) To exercise the option referred to in sub-paragraph (1), an asset or liability shall be designated as long-term foreign currency monetary item, if the asset or liability is expressed in a foreign currency and has a term of twelve months or more at the date of origination of the asset or the liability.

Provided that the option exercised by the enterprise shall disclose the fact of such option and of the amount remaining to be amortized in the financial statements of the period in which such option is exercised and in every subsequent period so long as any exchange difference remains unamortized."

6 MCA had decided that Para 6 of AS 11 and Para 4(e) of the AS 16 shall not apply to a company which is applying clause Para 46A of AS 11.

7 Ind AS, have not been notified till date. AS 30, 31 and 32 have also not been notified. Therefore, AS 30, 31 and 32 will presumed as encouraged to be followed by all the entities.

8 Ind ASs issued by the Ministry of Corporate Affairs
The Ministry of Corporate Affair (MCA) has hosted 35 Converged Indian Accounting Standards (known as "Ind-AS'), without announcing the applicability date. The issuance of Ind-AS is a significant step towards the implementation of converged standards in India. The MCA will intimate the implementation date later.

9 **Paragraphs 46**

introduced in AS 11 issued by ICAI for entities to which the Companies Act is not applicable:

"46 (1) In respect of accounting periods commencing on or after the 7th December 2006, (such option to be irrevocable and to be applied to all such foreign currency monetary items), the exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and should be depreciated over the balance life of the asset, and in other cases, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortised over the balance period of such long term asset or liability, by recognition as income or expense in each of such periods, with the exception of exchange differences dealt with in accordance with the provisions of paragraph 15.

(2) To exercise the option referred to in sub-paragraph (1), an asset or liability should be designated as a long term foreign currency monetary item, if the asset or liability is expressed in a foreign currency and has a term of twelve months or more at the date of origination of the asset or the liability:

Provided that the option exercised by the enterprise should disclose the fact of such option and of the amount remaining to be amortised in the financial statements of the period in which such option is exercised and in every subsequent period so long as any exchange difference remains unamortised."

10 The revised roadmap recommends Ind AS to be implemented for the preparation of Consolidated Financial Statements of listed companies and unlisted companies having net worth in excess of Rupees 500 crore from the accounting year beginning on or after 1st April, 2016, with previous year comparatives in Ind AS for the year 2015-16. The stand-alone financial statements will continue to be prepared as per the existing notified Accounting Standards which would be upgraded over a period of time.

11 **Financial year**

Section 2(41) defines financial year.

i. Any company or body corporate has to end its financial year on 31st March every year

ii. If a company or body corporate has been incorporated on or after 1st day of January of year, in such cases the financial year can end on 31st March of the following year. In other words it can consist of 15 months in case it is incorporated on 1st day of January and 14 months if incorporated on February 13 months if incorporated on March.

iii. In the case of an company or a body corporate which is a holding or subsidiary of a company incorporated outside India and that company is required to follow a different financial year for consolidation of its accounts, such company or body corporate with the permission of Tribunal can have a different period as its financial year.

iv. Any company or body corporate which is not following 31st March ending as its financial year can switch to uniform accounting year within a period of 2 years from the commencement of the Act.

12 **Financial statement:**

1. Every company is required to prepare financial statements. Financial statement in relation to a company includes a balance sheet as at the end of the financial year, profit and loss account for the year(income & expenditure in the case of a company carrying on any activity not for profit), cash flow statement for the financial year, a statement of changes in equity, if applicable and any explanatory note annexed to, or forming part of, any document referred to above.
2. One Person Company, small company and dormant company, are exempted from the requirement of including the cash flow statement in the financial statements.

13 **Definitions of holding, subsidiary, associate companies:**

Holding company in relation to one or more other companies, means , a company of which such companies are subsidiary companies. {Section 2(46)}

14 **Subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company-**

i. controls the composition of the Board of Directors; or

ii. exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies.

" Total share capital" means both preference and equity capital taken together.

15 **Associate company**, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. The purport of significant influence has been clarified in the explanation as control of at least twenty per cent of total share capital, or of business decisions under an agreement. In the case of joint ventures it is always by way an agreement significant influence is used but not necessarily by control over share capital. The meaning of significant influence is in line with AS18.

16 Accounting standards" means the standards of accounting or any addendum thereto for companies or class of companies referred to in section 133. Now a new body may be created by the central government known as National Financial Reporting Authority(NFRA) which will recommend to the CG on formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors.

Section 128 (1) mandates that every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year. Books of account can be kept at such other place in India by passing a resolution of the Board and file within 7days of such decision a notice in writing giving the full address of such other place.

True and fair view

17 Books of account shall be kept on accrual basis and according to the double entry system of accounting. Books of account should explain and transactions effected. Such books of account must give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any.

Books of account in Electronic mode:

18 Books of account can be kept in electronic mode. Recently displayed rules indicate that they shall be retained completely in the format in which they were originally generated, sent or received. System should be capable of being displayed in legible form and facilitate storage, retrieval, display or print outs from the data. Certain companies as may be notified later shall mandatorily file financial statements in Extensible Business Reporting language(XBRL) format.

Compliance with standards:

19 Section 129(1) mandates that the financial statements be prepared in prescribed form (New Schedule III) and they shall give a true and fair view and comply with accounting standards. Any deviations from accounting standards must be disclosed with reasons for such deviation and impact on profit in the financial statements {Section 129(5)}.

Consolidation of accounts:

20 If a company has one or mores subsidiaries, it shall in addition to its financial statements prepare a consolidated financial statements of the company and of all subsidiaries in the same form and manner of its own and lay before the shareholders along with its financial statements. The company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries in such form as may be prescribed. (Section 129(3)}.Central Government may provide for the consolidation of accounts of companies in such manner as may be prescribed.

That the Consolidation of financial statements of the company shall be made in accordance with the Accounting Standards. If under such Accounting Standards, consolidation is not required for the reason that the company has its immediate parent outside India, then such companies will also be required to prepare Consolidated Financial Statements in the manner and format as specified under Schedule III to the Act.

The word "subsidiary" shall include associate company and joint venture.

21 In Consolidated Financial Statements, the following shall be disclosed by way of additional information:

Name of the entity in the	**Net Assets, *i.e.*, total assets minus total liabilities**		**Share in profit or loss**	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
1	2	3	4	5
Parent				
Subsidiaries				
Indian				
1.				
2.				
3.				
.				
.				
Foreign				
1.				
2.				
3.				
.				
.				
Minority Interests in all subsidiaries				

Associates
(Investment
as per the equity
method)
Indian
1.
2.
3.
.
.
Foreign
1.
2.
3.
.
.
Joint Ventures
(as per proportionate
consolidation/
investment
as per the
equity method)
Indian
1.
2.
3.
.
.
Foreign
1.
2.
3.
.
.

TOTAL

3. All subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under consolidated financial statements.
4. An entity shall disclose the list of subsidiaries or associates or joint ventures which

have not been consolidated in the consolidated financial statements along with the reasons of not consolidating.