

Financial Reporting Review Board (FRRB)

Moving towards Better Quality Financial Reporting

**DID YOU
KNOW
SERIES**



Financial Reporting Review Board
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi



Messages

President, ICAI



I am pleased to know that Financial Reporting Review Board (FRRB) has come up with the new initiative to update the members as well as other stakeholders on the pertinent issues of financial reporting. I believe this 'Did You Know' Series, by which FRRB tries to educate the members on common non-compliances in the financial reporting pertaining to Accounting Standards, Standard of Auditing, Companies Act, 2013, CARO etc., will not only help our esteemed members in their professional endeavors but also help the preparers of the financial statements.

I congratulate Chairman and Vice-chairman of FRRB as well as learned members of the Board for their efforts and contributions towards moving forward for better quality financial reporting.

CA Atul Kumar Gupta

Vice President, ICAI



I am extremely happy to acknowledge the sincere effort of the Financial Reporting Review Board who has come up with very informative and knowledgeable 'Did you know' series to bring out the commonly observed non compliances in the financial reporting framework so that these can be avoided while preparing and auditing the financial statements.

I congratulate CA. Aniket S Talati, Chairman, FRRB, CA. Babu Abraham Kallivayalil, Vice Chairman, FRRB and members of the Board in keeping up the good work of the Board.

CA Nihar N Jambusaria

Chairman, FRRB

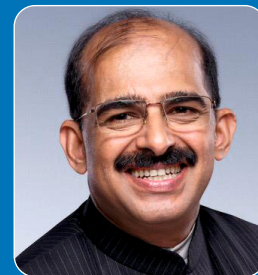


With the immense pleasure, on behalf of the profession and the Institute, let me mention with pride that the FRRB -ICAI had launched its series "Did you know Series?" on the twitter platform, in August 2020, by which it tries to educate the preparers of financial statements, auditors and other stakeholders about the compliances with various financial reporting requirements and is doing extremely well on the twitter platform with more than 2100 followers till date.

I wish to thank all the present and the past Board members, Technical Reviewers, Financial Review Reporting Groups and the entire team of FRRB for their efforts in bringing out this brochure.

CA Aniket S Talati

Vice- Chairman, FRRB



To enhance knowledge of members about changes in financial reporting framework and to apprise them on common non-compliances in audited financial statements observed by the Board, FRRB-ICAI has brought out the "Did you know Series?" by posting regular updates on the twitter account. This will be of immense benefit to members who conduct audit under Ind AS environment.

My heartfelt congratulations to our Chairman, CA Aniket S. Talati and all Board members for their support and guidance in bringing out the series. I would also like to thank the entire team of FRRB for their continuous efforts and hard work in developing a strong presence on the social media.

CA Babu Abraham Kallivayalil



Formation

The Financial Reporting Review Board (FRRB) was constituted by the Institute of Chartered Accountants of India (ICAI) in the year 2002.

Objective

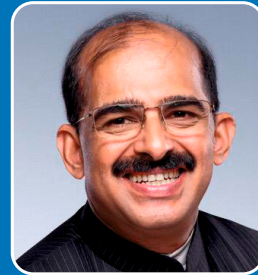
To develop and maintain an environment of sound financial reporting which is important to promote investor confidence in audited financial statements.

Board Composition

Composition of the FRRB for the Council Year 2020-21



CA. Aniket Sunil Talati,
Chairman



CA. Babu Abraham Kallivayalil,
Vice Chairman

Members



CA. Shrinivas Yeshwant Joshi



CA. Charanjot Singh Nanda



CA. Ranjeet Kumar Agarwal



CA. Dheeraj Kumar Khandelwal



CA. Hans Raj Chugh



Adv. Vijay Kumar Jhalani

Special Invitees

Shri Anil Gupta
(C&AG)
(retired during the year)

Smt Mamta A Matta
(C&AG)

Shri Balaji Venkataramanan
(IRDA)

Shri T TVVPS Chakravarti
(SEBI)



Scope of review conducted by FRRB

Review of the general purpose financial statements of enterprises and auditor's report thereon with a view to determine, to the extent possible:

Compliance with the generally accepted accounting principles in the preparation and presentation of financial statements;

Compliance with the disclosure requirements prescribed by regulatory bodies, statutes and rules and regulations relevant to the enterprise; and

Compliance with the reporting obligations of the auditor.

Selection of Enterprises for Review

The Board reviews the general purpose financial statements and the auditor's report of the following:

Enterprises selected as suo moto

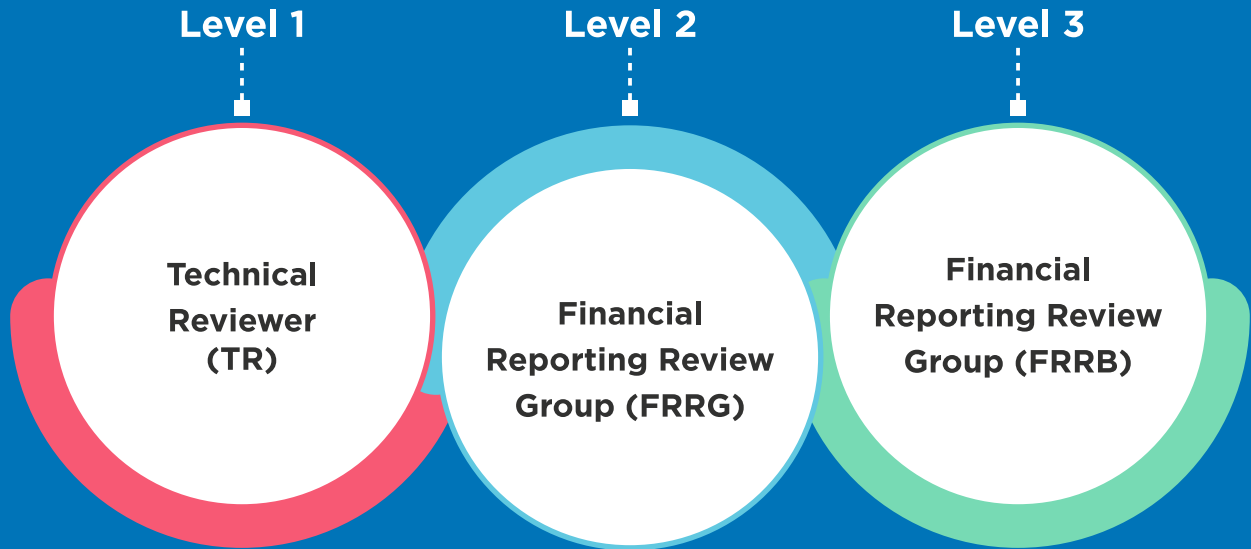
Enterprises referred to it by any regulatory body like RBI, SEBI, IRDA and MCA etc.

Enterprises wherein serious accounting irregularities have been highlighted by the media reports

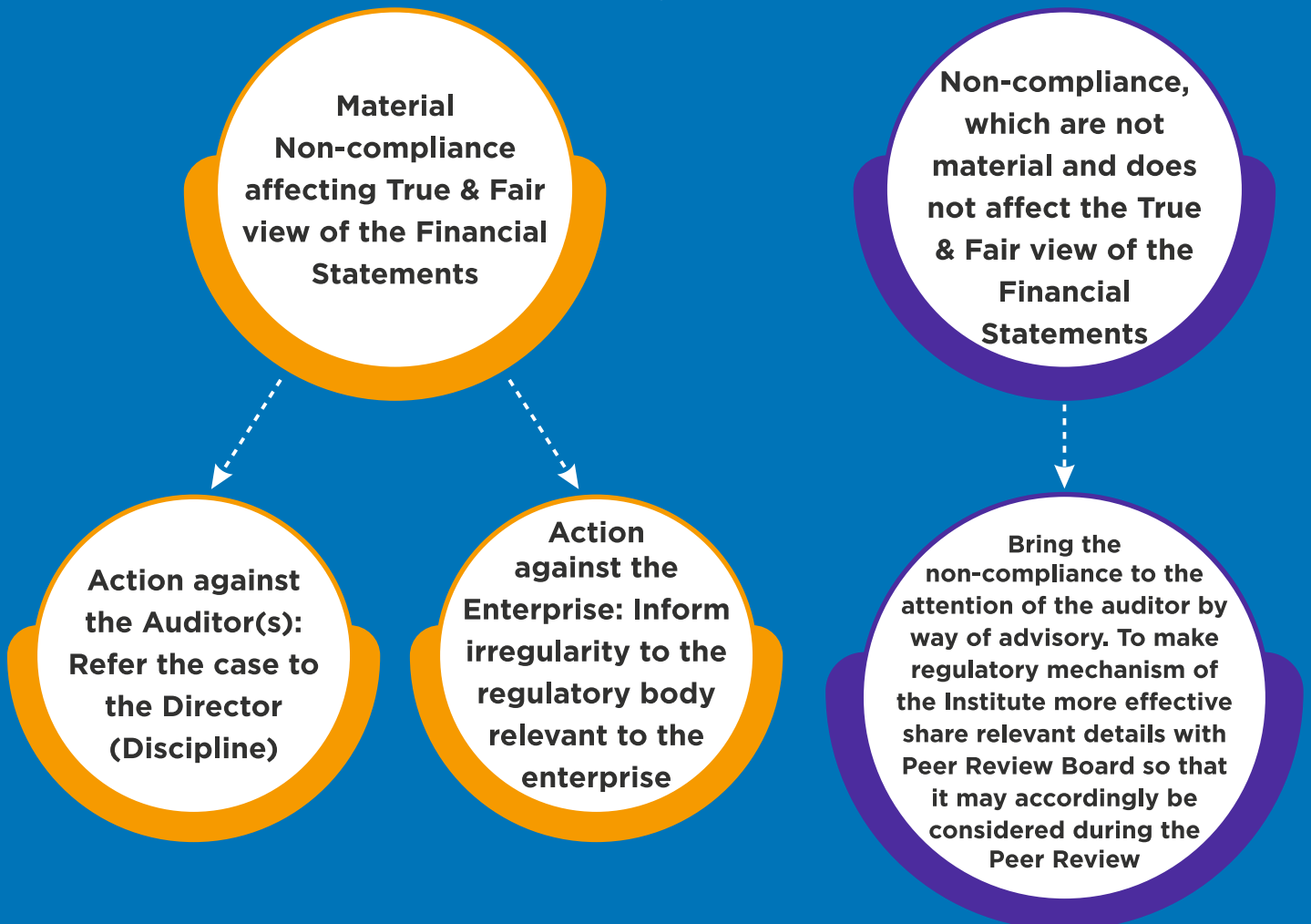


Review Mechanism

3 Tier Review



Action taken after the review





Spreading awareness amongst the members



01

Webinars & Seminars



02

Twitter



03

Publications



04

Articles

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FRRB was formed in 2002 to call for and review financial statements to determine compliance with accounting principles and disclosure requirements.

📍 New Delhi, India [icaai.org](https://www.icaai.org)
📅 Joined August 2020

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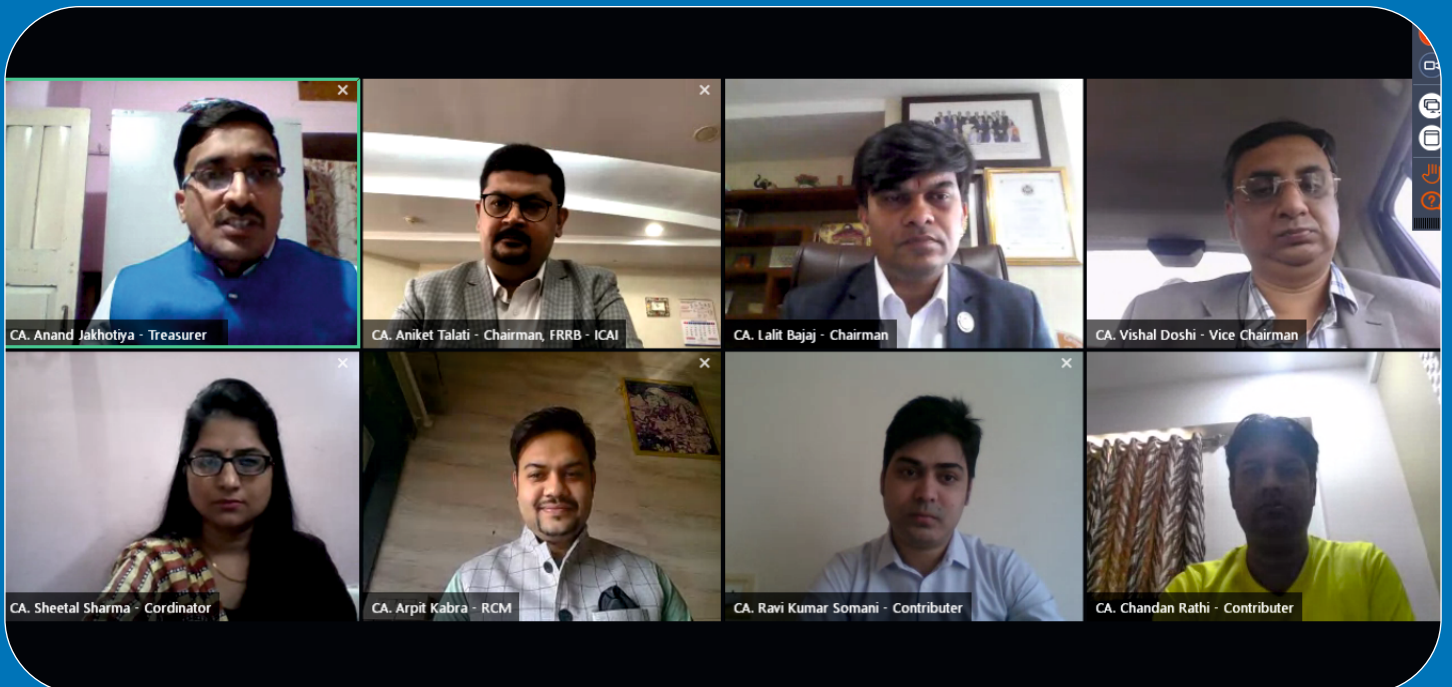




Glimpse of Events during the year



CA. Atul Kumar Gupta, President ICAI and CA. Nihar N Jambusaria, Vice - President ICAI addressing at National Webinar by FRRB held at New Delhi on 06.11.2020 and 07.11.2020 along with the CA. Aniket Sunil Talati, Chairman, FRRB and CA. Babu Abraham Kallivayalil, Vice-Chairman, FRRB and CA. Hans Raj Chugh, Member FRRB.



CA. Aniket Sunil Talati, Chairman, FRRB, CA. Lalit Bajaj, Chairman, WIRC of ICAI, CA. Vishal P. Doshi, Vice-Chairman of WIRC of ICAI and CA. Anand Jakhotiya, Treasurer, WIRC of ICAI along with the Regional Council Members at the Virtual CPE Meeting on Financial Reporting – Aspects & Analysis duly organised by FRRB and hosted by WIRC of ICAI on 20.12.2020



CA. Aniket Sunil Talati, Chairman FRRB (through video conferencing), CA Ranjeet Kumar Agarwal, Central Council Member and Member FRRB, CA. Bibhu Prasad Mohapatra, Chairman, Bhubaneswar Branch of EIRC of ICAI, CA. Sunil Kumar Sahoo, Vice-Chairman, EIRC of ICAI at Seminar on Financial Reporting: Aspects and Analysis duly organised by FRRB and hosted by WIRC of ICAI on 20.12.2020



CA. Atul Kumar Gupta, President ICAI and CA. Nihar N Jambusaria, Vice - President ICAI, CA. Aniket Sunil Talati, Chairman, FRRB along with CA. Jay Chhaira and CA. Anil Bhandari, Central Council Members of ICAI, CA Vinay Sakariya, Chairman, Rajkot Branch of WIRC of ICAI and CA Hardin Vyas, Vice Chairman, Rajkot Branch of WIRC of ICAI at Seminar on "Commonly observed errors in Financial Statements with respect to Accounting Standard" on 16.01.2021 duly organised by FRRB and hosted by WIRC of ICAI.



CA. Atul Kumar Gupta, President ICAI and CA. Nihar N Jambusaria, Vice - President ICAI, CA. Aniket Sunil Talati, Chairman, FRRB along with CA. Karan Thacker and CA. Jitendra Thacker, Chairman of Gandhidham and Bhuj Branch of WIRC of ICAI respectively at Seminar on Commonly found non-compliances on Accounting Standards, Schedule II and III of the Companies Act, 2013 on 17.01.2021 duly organised by FRRB and hosted by Gandhidham Branch of WIRC of ICAI.



Links to access video at ICAI TV:

1. <http://icaitv.com/video/1288/ind-day-1-video-commonly-found-non-compliances-india-accounting-standards>
2. <http://icaitv.com/video/1289/auditing-assurance-day-2-video-commonly-found-non-compliances-caro-2016-schedule-ii>

Twitter

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FRRB was formed in 2002 to carry out the review of financial statements to determine compliance with accounting principles and disclosure requirements.

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Publications



link to purchase:-

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Articles



Link to view articles published by FRRB access

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1 Did You Know ?

It was observed that the accounting policies were disclosed as:
 - "Intangible assets are recognized and accounted at cost in accordance with Accounting Standard 26 Intangible Assets"
 - "Deferred Tax Asset/Liability has been provided for in the books of accounts as per AS-22"

Merely quoting AS does not constitute full disclosure of relevant policies. Accounting policies should be more explicit to help the readers to understand the financial statements. Para 11 of AS 1 describes the meaning of accounting policy.

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2 Did You Know ?

It was noted that some of the accounting policies were disclosed under the heading 'Significant Accounting Policies' and other policies were scattered throughout the financial statement in form of notes.

All the accounting policies should be disclosed at one place in the financial statements as per the requirement of paragraph 25 of AS 1.

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| | Year 1 | Year 2 |
|-----------|------------|-----------|
| 9,012.00 | 7,6 | |
| 20,796.00 | 3,445.00 | 34,5 |
| 2,315.00 | 45,534.00 | |
| 38,484.00 | 38,484.00 | 37, |
| 16,164.00 | 16,164.00 | |
| 15,726.00 | 15,256.00 | |
| 00 | 2,276.00 | 25,412.00 |
| 00 | 18,174.00 | 3,654.00 |
| 00.00 | 55,320.00 | 55,320.00 |
| 039.00 | 31,428.00 | 31,428.00 |
| 0231.00 | 14,772.00 | 14,772.0 |
| 3,366.00 | 16,392.00 | 16,392 |
| 1,264.00 | 15,168.00 | 15,16 |
| 4,890.00 | 58,680.00 | 58,6 |
| 1,142.00 | 13,704.00 | 13, |
| 1,327.00 | 15,924.00 | |
| 4,250.00 | 51,000.00 | |
| 3,907.00 | 46,884.00 | |
| 3,156.00 | 37,872.00 | |
| | 480,091.00 | |

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Significant Accounting Policies

3 Did You Know ?

It was noted that only the policy on revenue recognition from ancillary activities was disclosed in financial statements /notes to the accounts.

It was viewed that the accounting policy, nature & timings for recognition of revenue should be disclosed for the primary as well ancillary business activities of the company to comply with the requirements of paragraph 24 of AS 1.

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4 Did You Know?

- ❗ Credit balance in the cash credit account and interest accrued there upon was included in the cash & cash equivalents.
- 💡 Neither the cash credit nor the interest accrued thereon is in the nature of investments therefore their inclusion in cash and cash equivalent is not in line with Para 5.2 of AS-3.

CASH FLOW STATEMENT

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5 Did You Know?

Deposits of more than 3 months were included in cash & cash equivalents. ❗

It was viewed that such deposits cannot be considered as cash & cash equivalent as per Para 6 of AS 3. 💡

CASH FLOW RELATIONSHIPS

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6 Did You Know?

In the Cash Flow Statement of a Financial Company loan disbursed and loan repaid was shown under financing activity. ❗

Since the loans & advances made by financial enterprise is the main revenue generating activity, it should be classified as operating activity as per Para 14 of AS-3. 💡

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7 Did You Know?

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In Banking industry, the cash flow arising from investments 'available for sale' & 'Investment held to maturity' should be considered under Operating activities & Investing activities, respectively, as per Para 5.4, & 5.5 of AS -3 for the preparation of cash flow statements

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8 Did You Know?

The non-cash item like increase/decrease in provisions was not adjusted against the net profit before tax while deriving Cash flow from Operating Activities.

Para 20 of AS 3 has not been complied while determining net cash flows from operating activities.

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9 Did You Know?

It was observed that the aggregate amount of cash flow from investing activities like movement in unsecured loans, deposits/advances, borrowing & investments were disclosed

It is viewed that separate reporting of major classes of gross receipts and payments from investing activities is required as per Para 21 of AS-3.

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10 Did You Know ?

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! Foreign currency balance was included in 'cash and cash equivalents' however effect of changes in exchange rates were not reported.

🗨️ As per Para 25 of AS 3, the effect of changes in exchange rates on cash and cash equivalents held in foreign currency should be reported as separate part of the reconciliation of changes in cash and cash equivalents.

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Did You Know ? 11

! In case of non-financial enterprises, the interest income has been adjusted from cash flows from financing activities.

🗨️ As per Para 30, in case of non – financial enterprises, interest/dividend income should be classified as cash flows from investing activities.

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12 Did You Know ?

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! It was noted from the policy on inventories that the 'market value', 'average cost' etc. were used for inventories valuation instead of 'net realizable value'.

🗨️ The Inventories should be valued at the lower of cost and net realisable value as per Para 5 of AS-2.

INVENTORY VALUATION

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13 Did You Know?

- It is noted that the estimated cost of completion and estimated cost necessary to make sale, were not deducted from estimated selling price in order to arrive at NRV of inventory.
- The requirement of Para 3.2 of AS-2 is not complied while computing the NRV for valuation of the inventory.



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Did You Know? 14

- The inventories were valued at average cost method instead of FIFO /weighted average cost method.
- The requirement of Para 16 of AS-2 has not been complied with.

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15 Did You Know?

- It was noted that inventories have been described as taken, valued and certified by the management.
- As per the 'Guidance note on audit of inventories' auditor should advise their client to omit the expression 'as taken, valued and certified by the management' in the Financial Statements.



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16 Did You Know ?

! Profit on sale of investments was included in the Revenue from operations.

As per Para 4.1 of AS-9, profit from sale of investment should not be included in revenue from operations as it is neither generated from sale of goods/ services nor from the use of enterprise resources and it does not arise from ordinary activities of the enterprise.



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17 Did You Know ?

! Revenue recognition policy of an enterprise merely stated that the revenue is recognised on accrual basis.

It was viewed that the revenue should be recognised when all the significant risks and rewards of ownership have been transferred to the buyer and no significant uncertainty exist regarding the amount of consideration as per Para 11 of AS-9.



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18 Did You Know ?

! It has been observed that the revenue from services is recognised when the fees is determined and billed.

As per Para 12 of AS-9, revenue from services should be recognised either under proportionate completion method or completed services method.

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19 Did You Know ?



It has been disclosed in an annual report of the company that the dividend income is recognised on receipt basis.



As per Para 13 of AS-9, dividend income should be recognised when right to receive dividend is established.

DIVIDEND

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20 Did You Know ?



It was observed that the revenue from the online educational services was recognized upon the receipt of subscription fees.



As per Para 7 of AS-9, the subscription fees for online educational services should be apportioned over the service period as per proportionate completion method.

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21 Did You Know ?



It has been observed that the revenue from sale of tickets is recognized when the tickets of the event are sold.



When there is substantial time gap between the sale and actual event, the revenue cannot be recognized until and unless the actual event has taken place. Thus, such revenue recognition policy regarding sale of tickets of event is not in line with requirements of Para 12 of AS-9.

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22 Did You Know ?



Interest income from trade dues was netted off against the interest expense under the Finance cost in the statement of Profit & loss.

It viewed that as per Para 3 and 4 of General Instructions for the preparation of the Profit & loss as given in Part II of Schedule III to the Companies Act 2013, **interest expense should be disclosed under the head 'Finance cost' and interest income from trade dues should be disclosed under the head 'other income',** rather than netting it off from finance cost.



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23 Did You Know ?



From Annual Report of a company, it was observed that Bank and finance charges like loan processing charges were classified as Interest Expenses under Finance Cost.

Since loan processing charges are in the nature of "other borrowing cost" it should be classified accordingly under Finance Cost, in line with Para 9.5.5 of Guidance Note on Schedule III to the Companies Act 2013.



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24 Did You Know ?



Financial statement was prepared in INR however some of the Notes were reported in foreign currency.

As per Para 4(ii) of General Instructions for Preparation of Balance Sheet and Statement of Profit and Loss given under Schedule III - Division I (Para 5 of Division II) **same unit of measurement should be used uniformly throughout the financial statements.**



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25 Did You Know ?

Revenue from Operations has been disclosed in the Notes under three sub-heads namely 'Sales of Products', 'Other Sales & Services' and 'Other Income'.

As per **Para 2(a) of General Instructions for the preparation of the Profit & loss, Part II of Schedule III to the Companies Act 2013**, revenue from operation shall be disclosed in three sub-heads viz. Sale of products, sale of services and other operating revenues. Other incomes should be disclosed separately as per **Para 4**.



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26 Did You Know ?

Long term borrowings comprised vehicle loans and unsecured inter-corporate loans however, terms of repayment of these loans were not disclosed.

As per Para 6 (C) (vi) of General Instructions for the preparation of Balance Sheet as given in Part I of Schedule III read with Para 8.3.1.17 of Guidance Note on Schedule III to the Companies Act 2013, **the repayment terms of each loan should be disclosed separately.**



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27 Did You Know ?

Under note on "other current liabilities" substantial amount was disclosed under line item "other liabilities" without giving any details thereof

Nature of the other current liabilities should be disclosed in line with Para 6 C (j) of the General Instructions for preparation of the Balance Sheet as given in Part I of Schedule III of the Companies Act 2013.



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28 Did You Know ?

- Corporate Governance Report disclosed that the shares are held by non-resident shareholders and FII's. Further noted from FS that company paid dividend during the year.
- The dividend remitted in foreign currency along with specific mention of number of shareholders and shares held should have been disclosed in the notes to the Statement of Profit & Loss in line with Para 5 (viii)(d) of General Instructions for preparation of Statement of Profit & Loss given in Part II of Schedule III of the Companies Act 2013

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29 Did You Know ?

- LAND
- BUILDINGS
- FACTORIES
- FURNITURE
- EQUIPMENT

FIXED ASSETS

- The comparative figures of previous year relating to opening balance of fixed assets, additions/ (deduction), other adjustments, depreciation charged for each class of fixed assets was not disclosed.
- As per Para 5 of General Instructions for Preparation of Balance Sheet and Statement of Profit And Loss, the corresponding amounts (comparatives) for the immediately preceding period should have been reported for all the items including notes. Further, a reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period is required as per Para 6 I (iii), Part I of Schedule III of the Companies Act 2013

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30 Did You Know ?

- Export benefit was disclosed as revenue from operation.
- Revenue in the nature of export incentive should have been disclosed as other operating revenue in line with Para 9.1.7 of the Guidance Note on Schedule III to the Companies Act 2013.

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31 Did You Know?

Exchange difference on foreign currency transactions & translations had been included in material cost and charged to Statement of Profit and Loss.

Such presentation is not in accordance with the requirement of Part II, Schedule III to the Companies Act 2013. Both the foreign currency fluctuations and purchase of raw material are two independent events and hence should have been disclosed separately.

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32 Did You Know?

Other Current liabilities had been disclosed under the head "Trade payable for goods and services"

The other payables, specifying their nature, should be presented under the head "Other current liabilities" in accordance with Paragraph 6 (G) (j) of Part I, Division I, Schedule III of the Companies Act, 2013.

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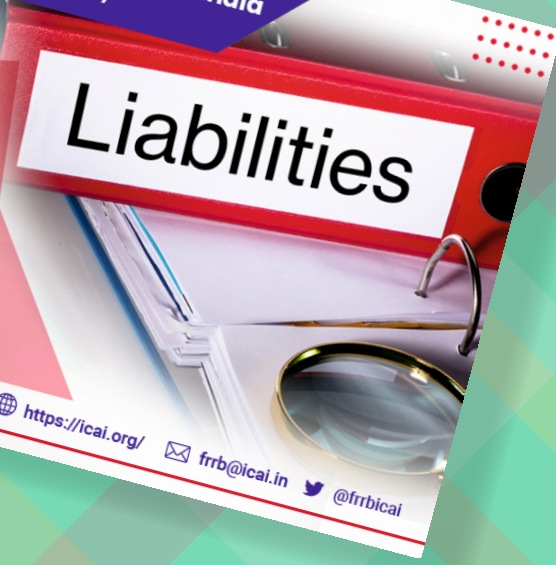
33 Did You Know?

The amount payable during the next financial year was included in the long term borrowings.

As per Paragraph 3(c) of General instructions for preparation of Balance Sheet, Part I, Division I of Schedule III of Companies Act, 2013, A liability shall be classified as current when it is due to be settled within twelve months after the reporting date. Accordingly, it should be classified as current maturity of long term borrowings under the head "Other Current Liabilities" (Paragraph 6C, Part I, Division I, Schedule III)

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34 Did You Know ?

! **Non - current Investments** have been classified as investment in subsidiary and investments in associate.

! The said investments **should also be classified into " Trade " or " Other "** as per paragraph 6 (k)(i) of General Instructions for preparation of Balance Sheet, Part I , Division I, Schedule III of Companies Act 2013.



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35 Did You Know ?

! Deposits with maturity for more than 12 months have been shown under the sub head Other Bank Balance as 'current assets'.

! Such deposits should have been disclosed under 'Other Non -Current assets' in line with Paragraph 6M (ii) read with para 6.4 of Guidance Note on Division I, Schedule III.



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FIXED ASSETS

36 Did You Know ?

! Capital Advance given for procurement of fixed assets was classified under current assets.

! Such kind of advances **should be disclosed under long term loans and advances** as per Paragraph 6 L (i) (a) of General Instructions for preparation of Balance Sheet read with para 8.7.6 of Guidance Note on Division I, Schedule III.



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37 Did You Know ?

! Loan and advance to related parties were appearing under the schedule of Long term loan and advances.

As per the Paragraph 6 (L)(i)(c) of General Instructions for preparation of Balance Sheet, read with para 8.7.6 of Guidance Note on Division I, Schedule III, **the details of loans to related parties should also have been disclosed.**

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38 Did You Know ?

! The extraordinary items were charged in the Statement of Profit and Loss Account before charging off the interest and finance cost.

As per the prescribed format of the Statement of Profit and Loss, Division I, Schedule III of Companies Act 2013, **the depreciation and finance cost should be charged off before adjusting extraordinary items.**

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39 Did You Know ?

! Under the schedule of short term loan and advances, MAT credit entitlement was same in the current year as it was in the previous year.

If the realisation period of MAT credit entitlement is beyond 12 months or operating cycle, whichever is longer, then it should be **classified as non-current asset** (para 8.7.6 of Guidance Note, Division I, Schedule III, Companies Act 2013)

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40 Did You Know ?

! The expenses incurred for the acquiring intellectual property rights & licences for projects that are under development have been shown under capital work in progress.

! In line with format of Balance Sheet, Schedule III, Division I, a sub head, **Intangible Assets under development**, under the Schedule of Fixed Assets would **better represent the nature of such assets rather than the Capital Work in progress.**



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41 Did You Know ?

! The 'Employee Benefit cost' and 'Salaries and wages' were disclosed as two separate line items on the face of Statement of Profit and loss Account.

! As per Paragraph 5 of General Instructions for Preparation of Statement of Profit and loss, **additional information regarding aggregate expenditure on Employee Benefit expense should be disclosed by the way of Notes to the financial statements.**

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42 Did You Know ?

! Under the head Trade Payable, sub-head used was "Sundry Creditors".

! The Paragraph 6G (j) of General Instructions for preparation of Balance Sheet, read with para 8.6.3 of Guidance Note, Division I, and Schedule III of Companies Act 2013 requires to classify such dues as Other Payables, **specifying nature thereof.**



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43 Did You Know ?



The Provision for Bad debts was provided in the financial statements in spite of considering all the trade receivables as good.



Such contradictory information must be avoided in the financial statements as it creates ambiguity for the readers of the financial statements.

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44 Did You Know ?



Advance Premium on foreign exchange options had been included in Short term loan and advances.



As per Paragraph 8.8.6 of Guidance Note, Division I, Schedule III of Companies Act 2013, **advance Premium on foreign exchange options should be disclosed as other current assets in the financial statements.**

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45 Did You Know ?



Short term provision was shown as a part of the notes to the accounts in the financial statements.



Short term provision should appear as a line item under the head "Current liabilities" as per the format of balance sheet prescribed in Part -I, Division I, Schedule III of the Companies Act 2013.

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46 Did You Know ?

Reserve and surplus included the closing balance of "Foreign Currency Monetary Item Translation Difference Account".

Under the head, "Foreign Currency Monetary Item Translation Difference Account" only the closing balances have been disclosed. However, **movements that led to change in such balance**, as required by the Paragraph 6 (B) (i) of General Instructions for preparation of the Balance Sheet, Part I, Division I, Schedule III of the Companies Act 2013 **should have been disclosed under the head "Reserves and Surplus"**.

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47 Did You Know ?

As per the notes to the accounts, "Trade Deposits and Others" were included in "Long term Liabilities".

As per Paragraph 6D of General Instructions for preparation of the Balance Sheet of Part I, Division I, Schedule III of the Companies Act 2013, **the nature of dues included under the head "Others" should have been specified separately from the trade deposits**.

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48 Did You Know ?

The staff welfare expenses were clubbed under the line item "other expenses".

Staff welfare expenses should be disclosed under the head 'Employee Benefit Expenses' in line with para 5A(ii)(iv) of General Instructions for Preparation of Statement of Profit and Loss of Division I, Schedule III to the Companies Act, 2013.

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 BENEFITS
 EXPENSES



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49 Did You Know ?

Under the note of long term borrowings, it was simply disclosed that the term loan have been secured by assets and personally guaranteed by the directors.


The 'nature of security' and 'aggregate amount of loan that has been guaranteed by directors' should be separately disclosed as per Paragraph 6 C (ii) and (iii), respectively, of General Instructions for preparation of Statement of Balance Sheet of Division I, Schedule III of the Companies Act, 2013.

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50 Did You Know ?

The substantial amounts of short-term borrowings have been disclosed under the line item 'Other Loans and Advances' without specifying their nature.

Nature of 'other loans and advances' should be disclosed in line with paragraph 6 (F) (i)(d) of General Instructions for preparation of Statement of Balance Sheet of Division I, Schedule III of the Companies Act, 2013.

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51 Did You Know ?

A line item 'Balances with Government Authorities' was appearing under the head of Long-term Loans and Advances.

As per Paragraph 8.7.6 of Guidance Note on Schedule III, Division I, the balances with Government authorities may include balance from different authorities viz, CENVAT/VAT/Service tax/GST Receivable etc. Hence the **breakup of such tax/GST Receivable should be disclosed under other loan and advances along with their nature as per Paragraph 6 L (i) (d) of General Instructions for preparation of Statement of Balance Sheet of Division I, Schedule III of the Companies Act, 2013.**

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52 Did You Know ?

! Under the note of short term loan and advances, amount receivable from related parties were disclosed as "other advances".

As per Paragraph 6R(i)(a) of General Instructions for preparation of Balance Sheet of Division I, Schedule III of the Companies Act, 2013, **loan given to the related parties should be disclosed as separate line item under the schedule of Short term loan and advances along with the details thereof.**

SHORT TERM LOAN

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53 Did You Know ?

! The amount of fixed deposits pledged with Bank against the borrowings /guarantees were not disclosed by way of notes to the financial Statements.

As per Paragraph 6 Q (iii) of General Instructions for preparation of Balance Sheet under Schedule III, Division I of the Companies Act 2013, **such amount of fixed deposits must be disclosed separately.**

FIXED DEPOSIT

- Fixed income
- Low-risk
- Stable income
- High-liquidity

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54 Did You Know ?

- ! An aggregate of employment expenses was disclosed under the head "Salaries and other allowances".
- ✓ As per Paragraph 5A (i) of General Instructions for preparation of Statement of Profit And Loss under Schedule III, Division I of the Companies Act 2013, the **break-up of employee benefit expenses into other funds, expense on Employee Stock Option Scheme (ESOP) and staff welfare expenses shall be disclosed separately.**

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55 Did You Know ?

- ! The advance tax was disclosed under the head "Other Non-Current Assets"
- ✓ The advance tax is in substance advance which should be disclosed under Loan and Advances instead of non-current assets.

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56 Did You Know ?

! Director Remuneration paid to Managing Director, Whole time director was included in the Other Expenses as appearing on the face of the Statement of Profit & Loss Account.

! As per Paragraph 14 of Accounting Standard 18 (Related Party Disclosure), such remuneration should have been included under the "employee benefit expenses" on the face of the Statement of Profit & Loss Account.

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57 Did You Know ?

! There was share application money pending for allotment, however, none of the information relating to it was disclosed in the financial statements.

! As per Paragraph 6(C)(g) of General Instructions for preparation of Balance Sheet read with Paragraph 8.2.1 of the Guidance Note of Schedule III, Division I of the Companies Act 2013, Share Application money pending for allotment is to be disclosed as a separate line item on the face of Balance Sheet between "Shareholders' Funds" and "Non-current Liabilities". **The share application money due for refund is to be shown as 'other current liabilities'; those pending for allotment are shown as separate line items under the broad head 'Shareholders funds'.**

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