

I. Audit Reports – Latest Development

1. **CARO – Notified** pursuant to S.143(11) on 10th April 2015: WEF date of publishing in OG
 - Give it for All Audit Reports signed on or after 10th April 2015. *[Except: Banking, Insu., S.8 Cos, OPC, Small Cos & Pvt. Cos. With PUC+FR < Rs. 50 Lacs, Loans < Rs.25 Lacs or TO < Rs. 2 Cr.]*
 - 21 to 12 pts (only unlearning required)
 - New Point on IEPF – S.205C of 1956 Act & IEPF (Awareness & Protection of Inventories) Rules, 2001.
 - Within 30 days of amount being due.
 - File a challan copy with ROC.
 - Clubbing of non-applicable clause of CARO permitted as an alternative *(ICAI Council Decision taken on 3rd & 4th Jan 2014)*
2. **“Illustrative Formats” released by ICAI** in different situations for
 - Stand alone FS + Engagement letter (with & without IFC)
 - CFS
 - Changes done to accommodate Co's Act 2013 – No change in SA 700/705/706 requirements
 - CARO required for CFS also. *[First Time requirement]*
 - Standalone format does not include CARO reference as the format was issued prior to notification of CARO – So amend to that extent.
3. **G/N issued by ICAI on Fraud Reporting u/s 143(12).**
4. **G/N of ICAI issued on Reporting u/s 143(3) (f) & (h) of Cos. Act**
S. 143(3) Auditor's Report
 - a) Information & Explanation received
 - b) Proper books maintenance (#)
 - c) Branch Auditor's report how dealt with (*)
 - d) Agreement with books
 - e) Compliance with A/S
 - f) Observation or comments of Auditor's on financial transactions or matters which have any adverse effect on the functioning of Co.
 - g) Director disqualification
 - h) Any qualification, reservation or adverse remarks relating to the maintenance of A/Cs and other matters connected therewith. (#) (*)
 - i) IFC in place & operating effectiveness of such control – **OPTIONAL for FY 14-15.**
 - j) Such other matter as may be prescribed: - Rule 11 - 3 points
 - i. Pending litigation impact
 - ii. Material foreseeable losses on long term contracts
 - iii. Any delay in transfer to IEPF.

* Can be dropped if not applicable

Inter-connected

II. Financial Statement - Latest Developments

1. Format of FS as per Sch. III – Same as in Sch. VI of 1956 Act.

Exception:

- CSR expense to be separately disclosed
- General Instructions for preparation of CFS is provided.

Developments:

- FAQ on CSR issued by CLCG committee of ICAI.
- Notification for relaxation only for FY 2014-15 wrt preparation of CFS in case co. has
 - ❖ Foreign subsidiary
 - ❖ Associate / JV not being subsidiaries

2. Depreciation Sch. II based on useful life

- Transitional Provisions challenges.
- Application Guide of ICAI

3. Beware of implication of Co's Act while preparing FS.

- Cash Flow statement to be prepared for all cos. [Except OPC & Small Cos.]
- Deposits [SAM, USL other than Directors, Advance from Customers > 1 year...]
- Raising of Capital
- Loans & Advances

III. Accounting Standards – Latest Developments

1. Applicability of Accounting Standards to Companies under Companies Act, 2013:

- How many AS?
- Which AS applies to Cos. Under Co's. Act , 2013:
CASR 2006 of NACAS to apply till AS under NFRA are notified (*Rule 7 of Co's (accounts) Rules 2014*).

Therefore in the Audit Report format given by ICAI reference is as follows:

"... The FS comply with the A/S specified u/s 133 of the Act, read with Rule 7 of the Co's (Accounts) Rule 2014"

2. Ind-AS roadmap issued by MCA.

- Applicable to Listed and Cos. with NW > Rs. 250 Cr & HSAJ of such cos.

3. 'Income Computation & Disclosure Standards' [ICDS] notified on 31.3.2015.

- AS v/s IT: Conflict
[Case Laws in favour of AS & Principles - **Challapali Sugars Ltd.** V/s. CIT (98 ITR 167) and CIT vs. **Bokaro Steel Ltd** (236 ITR 315).
Case law in favour of Tax - **Tuticorin Alkali Chemicals & Fertilizers Ltd.** V. CIT (227 ITR 172)]
- What is ICDS - Content & Conflict with AS [*10 Standards only*]. [14 in TAS]
- ICDS Notified on 31.3.2015 – WEF AY 2016-17
- Applicable to
 - ❖ *All assessees following mercantile system (NA to Assesseees following cash system)*
 - ❖ *Having IBP or IOS*
 - ❖ *For computation of Income & not for books of accounts.*

Implication on person (Assessee)

AS	Major Differences
AS – 1: Accounting Policy	Prudence & Materiality eliminated.
AS – 2: Inventories	<ul style="list-style-type: none"> ➤ Inventory to be computed for Service Providers also ➤ Technique of Standard Costing dropped.
AS – 7: Construction Contracts	Interest/Dividend/CG - s.t TAX – cannot be net off with cost - <i>Early stage – 25%</i> - <i>Future or foreseeable losses on onerous contracts not allowed unless actually incurred.</i>
AS – 9: Revenue Recognition	Service provider – CCM x – only PCM
AS – 10: Tangible Fixed Asset	<ul style="list-style-type: none"> ➤ TFA definition in line with Block of Asset. ➤ Exchange of Asset – Valued based on FV of incoming asset.
AS -11: Foreign Exchange	Except 43A – Generally follows AS – 11
AS – 12: Government Grants	Once Received – GG cannot be postponed.
AS – 13: Investments	Cost or NRV – Category wise & not individually
AS – 16: Borrowing Costs	Capitalize BC on FA even if not > 12 m - Until put to use.
AS - 29: Provision, CA/CL	<ul style="list-style-type: none"> ➤ Onerous contract excluded - So unavoidable future losses cannot be recognized. ➤ Provisions - Reasonable (as against probable) ➤ Contingent Asset - Reasonable (<i>as against virtual certainty</i>)