



RERA

Financial Management under RERA

CA Niraj Shah

FINANCIAL MANAGEMENT SUFFICED IN

- ✓ Chartered Accountants Report on Means of Finance.
- ✓ Banking discipline in operation of accounts – **Gujarat RERA Bank Account Directions'2018.**



MEANS OF FINANCE

Section

- Covered by Section 37 of RERA Act, 2016 and GUJRERA Rules No. 3(6)

Circular

- Circular 19 – CA report on Means of Finance dated 22/01/2020
- Circular 21 – Applicability for CA report on Means of Finance dated 14/02/2020

Guidance Note

- Regulatory perspective to the certifying Chartered Accountant for reports on means of finance

- Circular 19 – CA report on Means of Finance dated 22/01/2020

- **Sec 37 of Gujarat Rera Act, 2016:**

The Authority may, for the purpose of discharging its functions under the provisions of this Act or rules or regulations made thereunder, **issue such directions from time to time**, to the promoters or allottees or real estate agents, as the case may be, as it may consider necessary and **such directions shall be binding on all concerned.**

- **Rule 3(6) GujRERA General Rules**

The promoter shall disclose, estimated cost of real estate project as envisaged by the promoter by bifurcating the same into the market value of the land/ lease charges (as determined by the Government Approved Valuer), cost of construction, other costs, interest, taxes, cess, development and other charges and all other charges/cost in relation to the project in two stages, i.e. before the application is made to the Authority for registration of the real estate project and subsequent to the grant of the registration; **the means of financing the real estate project along with the cost already incurred and paid by the promoter out of the estimated cost of the real estate project duly certified and signed by the chartered accountant;**

- **SAE 3400:** “The examination of prospective financial information”

- Format for Report on Means of Finance in Excel Utility as well as Illustrative Report by CA.

- Experience Letter from Promoter for carried out Real Estate project of similar Scale.

SAE 3400 — THE EXAMINATION OF PROSPECTIVE FINANCIAL INFORMATION

In an engagement to examine prospective financial information, the auditor should obtain sufficient appropriate evidence as to whether:

- (a) management's best-estimate assumptions on which the prospective financial information is based are not unreasonable and, in the case of hypothetical assumptions, such assumptions are consistent with the purpose of the information;
- (b) the prospective financial information is properly prepared on the basis of the assumptions;
- (c) the prospective financial information is properly presented and all material assumptions are adequately disclosed, including a clear indication as to whether they are best-estimate assumptions or hypothetical assumptions; and
- (d) the prospective financial information is prepared on a consistent basis with historical financial statements, using appropriate accounting principles.

CERTIFICATION WORK AND DOCUMENTATION IN MEANS OF FINANCE

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Items	Documents	Remarks
Land Cost	Sale deed/ Agreement to sale / Development Agreement	Available as per Sale Deed/ Development agreement – Should match with Form 3
Construction Cost	Form 2 which is authenticated documents certified by Expert	Available – Should match with Form 3 (CA) and Form 2.
Other site Expenditure	Estimation required	Working to be carried out based on size of Project. Match with Form 3 (CA)
Payment to statutory Authority	Breakup of Taxes and Charges Payable to Statutory Authority	Match with Form 3 (CA)
Finance Cost	Sanction Letter and Working of fund utilisation	Borrowed Fund from Bank/ Financial Institute and Unsecured Loans
Others Cost – Not part of Form 3	It includes marketing and other cost which is not allowing to be withdrawn as per RERA	As per estimation given by management and should be part of management representation letter
Repayment of Borrowings	Sanction Letter and Working of fund utilisation	Part of management representation letter

CERTIFICATION WORK AND DOCUMENTATION IN MEANS OF FINANCE

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Items	Documents	Remarks
Promoters capital	As per Estimation by management	Need to check the promoters background and Financial capability
Borrowed Funds from Banks	As per Estimation by management	Need to check whether loan can be availed by promoter – Past project details where loan is availed and track records
Unsecured loans	As per Estimation by management	Need to check whether loan can be availed by promoter – Past project details where loan is availed and track records
Receipts from Allotees	As per Estimation by management	Estimation need to check with regards to past project experience, Type of Projects, Demand, Price of units, Completion stage, Market trend

BANKING DISCIPLINE

Act

- Amount from separate bank account can be withdrawn after certification by Architect, Engineer, Chartered Accountant in Practice (**Section 4(2)(I)(D) of RERA Act, 2016**)

Rules

- Withdrawal from separate bank account after it is certified by a Chartered Accountant in respect of the cost already incurred for the purpose of calculating the proportionate cost of completion of project (**Rule 5 of Gujarat Real Estate (Regulation and Development)(General)Rules, 2017**)

Direction

- Gujarat RERA Bank Account Directions, 2018 issued on 19/02/2018

SOP

- SOP for Bank change request – RA1/ RA2/ RA3/ RA4

GUJARAT RERA BANK ACCOUNT DIRECTIONS, 2018

✓ Definitions

- ✓ RERA Account: “ means the **separate account** to be maintained by the promoter in a **scheduled bank** as per section 4(2)(I)(D) of the Act to cover the cost of construction and the land cost of the project.

✓ General Guidelines

- ✓ No Lien account & withdrawal should be in accordance with Provisions of RERA Laws
- ✓ Authority recommends that Funds to be utilized for the same real estate project.
- ✓ However no end use restriction

✓ Account Opening

- ✓ It is a Designated Account / Separate account – Not a simple Current A/c
- ✓ RERA account to be opened before application
- ✓ In the form with suffix the term RERA Account for <name of the project> real estate project with the name of RERA account holder. Eg . **“ABC Infra RERA Accounts for XYZ Heights”**
- ✓ Every project to have Separate RERA account only

GUJARAT RERA BANK ACCOUNT DIRECTIONS, 2018

- ✓ Deposits in account
 - ✓ 70% amount collected from allottees in RERA account
 - ✓ Where Est. cost of project > Est value of sales revenue – 100%
 - ✓ FD can be created from RERA accounts - to be no lien FD

- ✓ Withdrawals from account
 - ✓ As per 2nd proviso to section 4(2)(I)(D) of the Act- amount shall be withdrawn after it is certified by an architect, an engineer and a chartered accountant in practice, that the withdrawal is in proportion to the percentage of completion of the project.
 - ✓ As per Rule 5 : For Purpose of Withdrawal – All 3 Forms i.e. 1/2/3 in record.
 - ✓ Sr. No. 8 of Form -3 (Net Amount which can be withdrawn from RERA Account)
 - ✓ On completion of the project, the entire balance amount lying in the RERA Account can be withdrawn by the Promoter on the basis of submission of necessary certificates and due project completion compliances including submission of end quarter data.

GUJARAT RERA BANK ACCOUNT DIRECTIONS, 2018

- ✓ Powers of Authority on RERA Account
 - ✓ The Authority may direct the bank for Freeze or De- Freeze the account in accordance with section 7(4)(c) and 8 of the Act.
 - ✓ The Authority may in the interest of allottees, enquire into the payment of amounts out of RERA Account as per Rule 8(3)(a) of RERA Rules.

- ✓ Change in RERA Account
 - ✓ Only with prior written permission of the Authority.
 - ✓ RA1- Application for change in RERA account
 - ✓ RA2- Certificate of Balance from bank with existing RERA account
 - ✓ (All Transactions need to be freeze till approval from RERA)
 - ✓ RA3- Confirmation letter of change in RERA account
 - ✓ RA4- Certificate of fund transfer from Bank having new RERA account
 - ✓ SOP for Bank Change Request – RERA Website

QUESTIONS...???

RERA



THANK YOU

CA NIRAJ SHAH

(E) niraj@ranpuraandshah.com

