1) Cash Flow Statement

- Cash flow statements is covered under the definition of "financial statements" Section 2(40) of the Companies Act, 2013. Earlier, Cash flow statement was exempted 'SMC'
- Following entity are exempted from cash flow statement
    - One person company - As per sec 2(62) of The CA, 2013 "One Person Company" means a company which has only one person as a member.
    - Small Company - a company, other than a public company, i) paid up capital of which does not exceed R. 50 lacs or ii) turnover of which as per its last profit and loss account does not exceed Rs. 2 Crore.
- No format is prescribed in Schedule III to the CA, 2013, the cash flow statement shall be prepared in the format prescribed in the AS-3 –Cash Flow Statement only.
- Treatment of exchange difference on loan taken/given and cash and cash equivalents
- Capital advance need to adjust in investing activity and not operational activity.
- FD for less than 3 months needs to be part of cash and cash equivalents.

2) Operating cycle

- An asset shall be classified as current when it satisfies any of the following criteria:—

  (a) it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;

  (b) it is held primarily for the purpose of being traded;

  (c) it is cash or cash equivalent unless it is restricted from being exchanged or

  used to settle a liability for at least twelve months after the reporting date.

  All other assets shall be classified as non-current.

- An operating cycle is the time between the acquisition of assets for processing and

  their realisation in cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have duration of twelve months.

3) Accounting Policies

Followings are the major accounting policies which required to be disclosed.

Change in Accounting policy

- Any change in accounting policies and impact on profit/loss required to disclosed under summary of significant accounting policies

Tangible and intangible fixed assets

- The Company may provide depreciation on the basis of useful life provided in Schedule II of the Companies Act, 2013. It can estimate higher or lower useful life by providing disclosure of type of assets and justification for the same.

Revenue recognition

- Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- Revenue is required to be recorded only whether there is risk and reward has transferred to customer.

- Accounting policy for interest and dividend required to be disclosed like Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Dividend income is recognised when the Company's right to receive dividend is established by the balance sheet date.

Income Tax

- Policy for MAT credit entitlement required to be disclosed.

- Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax.

- In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement."

- The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward.

- The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

4) Consolidation of financial statements

- Sub Section (3) of Section 129 of the Companies Act, 2013 mandates every company to prepare a consolidated financial statement for all the Companies having one or more subsidiaries.
- Applicability of Consolidated Financial Statement (CFS)
  - Private Limited Company
  - Public Unlisted Company
  - Listed Company
- Prepare a consolidated financial statement of the company and of all the subsidiaries in the same form and manner as that of its own which shall also be laid before the annual general meeting of the company along with the laying of its financial statement. The provisions of this Act applicable to the preparation, adoption and audit of the financial statements of a holding company shall, mutatis mutandis, apply to the consolidated financial statements.
- The Company shall also disclose statement in the consolidated financial statements as per Schedule III of the Companies Act, 2013, which contains
  - Name of the entity
  - Net assets and Share in profit or loss (In Rs And % of total)
- Subsidiary" shall include associate company and joint venture under Section 129 of the Companies Act, 2013.
- Principle adopted by the Company for consolidation required to disclose in accounting policy and disclosure of goodwill or capital reserve.

5) Related Party Transactions

- Name of the related party and nature of the related party relationship where control exists should be disclosed irrespective of whether or not there have been transactions between the related parties.

- Related party required to be identified under AS-18 and 2(76) of the Companies Act, 2013
- Followings are the minimum disclosure requirements

  (i) the name of the transacting related party;

  (ii) a description of the relationship between the parties;

  (iii) a description of the nature of transactions;

  (iv) volume of the transactions an amount of transactions

(v) the amounts of outstanding items at the balance sheet date and provisions for doubtful debts; and

(vi) amounts written off or written back

- If the transaction is more than 10% of the total related party transactions of the same type then it need to show separately else it can be clubbed.

6) CSR Activity (Section 135 of the Companies Act, 2013)

- Applicable to following companies
  - Every Company having networth of Rs. 500 Cr or more or
  - Turnover of Rs. 1,000 Cr or more or
  - Net profit of Rs. 5 Cr of more
- Company need to spend 2% of avg net profits of three immediate preceding financial year. Avg net profit need to calculate as per Section 198 of the Companies Act, 2013.
- Amount need to spent and amount has been spent need to disclosure in notes to the financial statements

7) Due to Micro and Small Enterprises and otherwise

Following disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

- If the amount is delayed for more than 45 days or as per the contract terms whichever is earlier.
- Principal amount and interest due thereon remaining unpaid to any supplier as at end of accounting year.
- Amount of interest to MSME parties during the year with amount due or subsequently.
- The amount of interest accrued but not paid
- Amount of interest no deductible under Income tax
- Interest payable is 3 times the bank rate

8) **Managerial Remunerations**

- Applicable to public company
- Disclosures relating managerial remunerations and computation of net profits as laid down in Section 198 of the Companies Act, 2013 is not required.
- Section 197 of the Companies Act, 2013 provides a way to pay managerial remuneration in case of Company's having adequate profits.
- The Company has to calculate whether the there is adequate profit to pay managerial remunerations.
- A Public Company can pay remuneration to its directors including Managing Director s and Whole-time Directors, and its managers which shall not exceed 11% of the net profit as calculated in a manner laid down in section 198 of the Companies Act, 2013.
- Wherein a Company in which there is one Managing Director; Whole-time Director or manager the remuneration to be payable shall not exceed 5% of net profits and where there are more than one of such Directors remuneration payable shall not exceed 11 % of the net profit.
- In case there is the company having no profit or inadequate profit, the Company can pay maximum Rs. 60 lacs per annum per person plus 0.01% of the effective capital without central government approval.
- The amount can be doubled with special resolution and other conditions.

9) **Hedged / Unhedged exposure in foreign currency**

Disclosure should contain following information's

- Disclosure of derivative instruments used for hedging and amount of currency hedged.
- Details of unhedged foreign currency exposure bifurcated into payable and receivables
- Ideally to disclosure in foreign currency and in rupees also.
- If there is hedging of highly probable of future transactions that need to give separately.

10) **Disclosure u/s. 186(4) of the Companies Act, 2013**

- Company to disclose in the Financial Statement the full particulars of the loan given, investments made, security provided and guarantee given.
- Full particulars include

- Name of the Party,
- Rate of interest,
- Due date of repayment,
- amount outstanding as on date and previous year end,
- any charge on the assets, etc.

- The Company shall also disclose in its Report about its purpose.

11) **Employee benefits – AS-15**

Short-term Employee Benefits

Although this Standard does not require specific disclosures about short-term employee benefits, other Accounting Standards may require disclosures.

Post-Employment Benefits: Defined Contribution Plans

- An enterprise should disclose the amount recognised as an expense for defined contribution plans

- Where required by AS 18 Related Party Disclosures an enterprise discloses information about contributions to defined contribution plans for key management personnel.

Post-Employment Benefits: Defined Benefits Plans

- An enterprise should disclose the following information about defined benefit plans:

  (a) the enterprise's accounting policy for recognising actuarial gains and losses.

  (b) a general description of the type of plan.

  (c) a reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately,

- As per para 120 (m) of AS-15, If there is medical cost for the post-employment benefits, Impact of 1% increase or decrease need to disclose.

- As per para 120 (n) of AS-15, the amounts for the current annual period and previous four annual periods of:

    - the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and

    - the experience adjustments arising on:

    (A) the plan liabilities expressed either as (1) an amount or (2) a percentage of the plan liabilities at the balance sheet date, and

    (B) the plan assets expressed either as (1) an amount or (2) a percentage of the plan assets at the balance sheet date.

- As per para 120 (o) of AS-15, the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date.

- Categories of investments need to disclose

12) **Borrowings**

- Secured or unsecured
- Borrowings from banks or related parties
- Terms of repayment
- Interest rate
- Security charged
- Loan guaranteed by directors

13) **Share capital**

- Shares in the company held by each shareholder holding more than 5 per cent, shares specifying the number of shares held.
- Earlier disclosure required was for perpetuity and now only for last five years for Aggregate number and class of shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash and Aggregate number and class of shares allotted as fully paid-up by way of bonus shares.
- Terms of any securities convertible into equity/preference shares issued
- Calls unpaid (showing aggregate value of calls unpaid by directors and officers).
- Forfeited shares (amount originally paid-up).

14) **Fixed assets**

- Previous year figures for each line item to be given and not sufficient if it is given on an aggregate basis.

15) **Segment Reporting**

- All the segments having revenue / results / assets is less than 10% of an aggregate then the same needs to be clubbed and disclose under separate column as “Others”.
- Tangible and intangible assets needs to disclose
- Any non-cash expenses like Depreciation and amortisation expenses needs to disclose