Commonly Found Errors in Reporting Practices

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

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Research Committee
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Foreword

In today's dynamic and rapidly evolving business landscape, the importance of transparent and effective reporting practices cannot be overstated. The annual report is a vital communication tool, providing stakeholders with a snapshot of an organization's financial health, overall performance, and future prospects. Excellent reporting serves a number of purposes, ranging from informed decision-making, compliance with regulatory requirements, effective risk management, benchmarking & performance evaluation, to gain credibility & investors' confidence.

The Research Committee of the Institute of Chartered Accountants of India (ICAI) organizes the ICAI Award for Excellence in Financial Reporting every year with an objective to empower the organizations to enhance the quality of their reporting processes, thereby fortifying the transparency and credibility of financial & non- financial information disseminated to the public.

I am happy to note that the Committee has compiled the observations encountered during the evaluation process of ICAI Awards for Excellence in Financial Reporting 2022-2023 in the form of publication "***Commonly Found Errors in Reporting Practices***".

The objective of the publication is to assist the preparers & presenters of information to understand and improve the pitfalls that were commonly observed as a roadblock for an organisation to achieve excellent reporting. Further, compilation will offer insights into the best practices adopted and followed by the leading organizations, to inspire a culture of continuous improvement in reporting standards across the business landscape.

My sincere appreciation to CA. (Dr.) Anuj Goyal, Chairman, CA. Cotha S Srinivas, Vice-Chairman, and all members of the Research Committee for bringing out the publication.

I encourage members of the accounting profession, business leaders, regulators, and other stakeholders to embrace valuable resource in their pursuit of excellence in reporting practices.

Wishing you insightful reading.

13th January 2024

CA. Aniket Sunil Talati
President, ICAI

Preface

The Institute of chartered accountants of India through its Research Committee holds “ICAI Awards For Excellence In Financial Reporting” every year, the objective behind is to recognize and encourage excellence in preparation and presentation of information in the annual report and related documents. The independent & transparent three tier process followed for the evaluation not only allows to find the best practices adopted by different organisations but at the same time, to find those areas where the organization should take care of for better reporting to the interested stakeholders.

As an institute, our role is to promote & instill the best reporting practices across the entities. This award competition, plays dual role, one to recognize the entities for their efforts and other is to provide the benchmark for other organisations to improve their reporting practices.

Now, this time to move a step ahead, we decided to inform the observations noticed during the process at different levels of evaluation for the easy reference point to improve & excel the reporting area. I hope this publication would be of immense use and continued interest to the preparers, management, auditors, and all others involved in the process of preparation & presentation of financial & non- financial information in the annual report & related documents.

I would like to thank CA. Aniket Sunil Talati, Hon’ble President, ICAI and CA. Ranjeet Kumar Agarwal, Hon’ble Vice President, ICAI for their direction and guidance in effective functioning of the Research Committee. I am also thankful to CA. Cotha S Srinivas, Vice Chairman of the Research Committee, for his consistent guidance. I would like to thank all the stakeholders and experts of the Research Committee especially for their time and inputs. Further, my appreciation to the team of Research Committee for their continuous efforts and support for carrying out the activities of Research Committee.

I would like to thank CA. Ankit Maheshwari and CA. Kuldeep Kothari, the resource persons for their valuable contribution in preparation of this publication. I also acknowledge the assistance, co-operation and untiring efforts made by Dr. Amit Kumar Agrawal, Secretary, Research Committee, CA. Neha Bansal, Assistant Secretary, CA. Saloni Jain, Professional, CA.

Rahul Jain, Professional and CA. Abhishek Sharma, Professional in finalising the publication.

CA. (Dr.) Anuj Goyal

Chairman, Research Committee

New Delhi

December 28, 2023

Introduction

Annual reports serve as the compass guiding stakeholders through the financial and operational journey of the organization. Yet, amidst the comprehensiveness data and narratives, the reporting errors can inadvertently obscure the true picture.

This publication aims to dissect and illuminate the prevalent errors frequently found in reporting practices. From financial misstatements to inconsistencies in data presentation, it embarks on a journey to identify and rectify these issues. This publication covers a wide range of factors, viz: Compliance with Standards: Adhering to accounting standards and regulatory requirements ensures that financial reporting meets established criteria, fostering credibility and trust among stakeholders.

Governance and Internal Controls: Strong governance structures and robust internal controls help prevent errors, frauds, and misstatements. They provide assurance that the reported information is accurate and reliable.

Stakeholder Engagement: Actively engaging with stakeholders, understanding their information needs, and incorporating their feedback into reporting processes contribute to the relevance and usefulness of the reports.

Transparency: Transparent reporting involves providing clear, comprehensive, and understandable information. This includes disclosing accounting policies, assumptions, and potential risks, enabling stakeholders to make informed decisions.

Clarity and Conciseness: Clear and concise communication facilitates understanding. Annual reports should present information in a straightforward manner, avoiding unnecessary complexity or ambiguity.

By understanding the nuances of reporting errors, organizations can enhance the trust of stakeholders, foster transparency, and pave the way for more informed decision-making.

We sincerely hope that this publication serves as a catalyst, inspiring organizations to aspire to excellence in reporting practices. By delving into the key factors that underpin reliable and transparent reporting practices, it aims to encourage a collective commitment to contributing not only to the advancement of individual entities but also to the broader landscape of financial integrity and stakeholders' trust.

Happy reading and learning!

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PUBLIC SECTOR UNDERTAKINGS

Part I – Financial Information

1. Investment property: Disclosures

Observation(s)	What should one remember?
It was noted that the company has not made the disclosures as required by Ind AS 40 "Investment Property".	As per Para 75 of Ind AS 40, an entity shall disclose its accounting policy for measurement of investment property. Further, as per Para 79 of Ind AS 40, an entity shall disclose the depreciation methods used and the useful lives or the depreciation rates used. Illustrative accounting policy for investment property is as follows: "Investment properties are initially recognised at cost including transaction costs. Subsequently investment properties comprising buildings are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on buildings is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Depreciation is provided on useful life of assets as prescribed in Schedule II to the Companies Act, 2013.

2. Disclosure of Rental income and Direct Operating Expenses

Observation(s)	What should one remember?
It was observed that the company have not disclosed the rental income and direct operating	As per Para 75(f) of Ind AS 40 (Investment Property), an entity shall disclose the amounts recognized in profit or loss for:

expenses related to investment property as required under Ind AS 40.	(a) rental income from investment property; (b) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and (c) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period.

3. Investment property: Accounting Policy

Observation(s)	**What should one remember?**
In certain cases, where the company had investment property, the accounting policy stated that the investment property was stated at fair value.	Paragraph 30 of IND AS 40 states: An entity shall adopt as its accounting policy the cost model prescribed in paragraph 56 to all of its investment property. Paragraph 32 of IND AS 40 requires all entities to measure the fair value of investment property for the purpose of disclosure even though they are required to follow the cost model for measurement purpose.

4. Performance Obligation and its description

Observation(s)	**What should one remember?**
It was observed that entity has not disclosed about payment terms of contracts with customers.	As per Para 119(b) of Ind AS 115, an entity shall disclose information about its performance obligations in contracts with customers, including a description of the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the

	estimate of variable consideration is typically constrained in accordance with paragraphs 56–58).

5. Accounting Policy for Revenue Recognition

Observation(s)	What should one remember?
It was noted that the accounting policy can be drafted better in line with requirement of Ind AS 115. Company has not disclosed the events pertaining to five-step model of revenue recognition.	Ind AS 115 prescribes the following five-step model for revenue recognition.: 1. Identify the contract(s) with a customer; 2. Identify the separate performance obligations in the contract; 3. Determine the transaction price; 4. Allocate the transaction price to the separate performance obligations; and Recognize revenue when (or as) each performance obligation is satisfied. Company should disclose its accounting policy for revenue recognition by including the five-step model as mentioned.

6. Disclosures under Revenue Recognition

Observation(s)	What should one remember?
It was observed that organizations fail to give appropriate disclosures as per Ind AS 115 in terms of • Revenue Disclosure • Extended warranty and other adjustments are not disclosed in the reconciliation with contract revenue or a aggregate disclosure is	As per Ind AS 115 (para 114) An entity shall disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. An entity shall apply the guidance in paragraphs B87–B89 when selecting the categories to use to disaggregate revenue. As per Ind AS 115 (para 126AA) entity shall reconcile the amount of revenue

<table>
<tr>
<td>given without specifying the reasons.</td>
<td>recognized in the statement of profit and loss with the contracted price showing separately each of the adjustments made to the contract price, for example, on account of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, etc., specifying the nature and amount of each such adjustment separately.

The illustrative format for reconciliation of revenue recognized in statement of profit and loss with the contracted price is as below to be presented along with nature and amount of each adjustment separately:
<table>
<tr><th>Particulars</th><th>For the year 2023-24</th><th>For the year 2022-23</th></tr>
<tr><td>Contracted Price</td><td></td><td></td></tr>
<tr><td>Adjustments:</td><td></td><td></td></tr>
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<tr><td>Revenue recognized in Statement of Profit and Loss</td><td></td><td></td></tr>
</table>
</td>
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7. Extent of risks and rewards transfer

Observation(s)	What should one remember?
It has been observed that the terminology used in the	Paragraph 38 of IND AS 115, states ….”an entity shall consider indicators of the

accounting policy for revenue recognition with respect to transfer of control is not in line with that of IND AS 115. For example, the accounting policies state that revenue is recognized on transfer of 'sufficient' or 'substantial' risks and rewards.	transfer of control, which include, but are not limited to, the following: d. the transfer of the significant risks and rewards of ownership of an asset to the customer may indicate that the customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asse." As seen from the above, the requirement is to make an assessment of whether 'significant' risks and rewards have been transferred.

8. Terminology for Related Party

Observation(s)	**What should one remember?**
It was noted that in the related party disclosures, company has used the terminology 'Relatives of Key Management Personnel'. It is not as per Ind AS 24.	As per the Ind AS 24, the correct terminology is 'Close Member of Key Management Personnel'.

9. Definition of Key management personnel

Observation(s)	**What should one remember?**
It was noted that in the disclosure of name of related parties and nature of relationship, company has presented the following categories for directors: Non-Executive Director, Non-Executive Independent Director and Key Managerial Personnel. In the category	In Ind AS 24, following definition is given: "Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity." As per the Ind AS 24, all directors are

of KMP, company has disclosed the name of executive director only. From the disclosure given by company, it can be interpreted that company did not consider the non-executive directors as KMP.	considered as KMP. Therefore, company has violated the provisions of Ind AS 24.

10. Related Party Disclosures

Observation(s)	What should one remember?
It was observed that in most cases organizations failed to give appropriate disclosures of related parties.	As per Ind As 24 to enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties. This is because the existence of control relationship may prevent the reporting entity from being independent in making its financial and operating decisions.

11. Disclosure of transactions with related party

Observation(s)	What should one remember?
It was noted in some cases from the note on 'Related Party Transactions' that debentures were issued to holding company and ultimate holding company and same was disclosed as transactions entered between them during the year. However, the amount	Para 18 of Ind AS 24 states that If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial

outstanding towards these debentures was not disclosed therefore the requirements of Ind AS 24 have not been complied with.	statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include: a) the amount of the transactions. b) the amount of outstanding balances, including commitments, and: i. their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and ii. details of any guarantees given or received;

12. Disclosures relating to key managerial personnel

Observation(s)	What should one remember?
It was observed in a few cases, in case of key managerial personnel, where the disclosure of remuneration paid to them was not made in accordance to the standards requirement.	As per paragraph 17 of IND AS 24, "An entity shall disclose key management personnel compensation in total and for each of the following categories: (a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; (d) termination benefits; and (e) share-based payment."

13. Events Occurring after Balance Sheet date

Observation(s)	What should one remember?
It was observed that Some organizations fail to give appropriate accounting policy and disclosures as per Ind AS -10 Event after the Reporting period.	As Per Para 19 of IND AS 10 'Event after the reporting period': If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.

14. Cash and cash equivalents- Not available for use by Group

Observation(s)	What should one remember?
It was observed that the company has not disclosed the amount of significant cash and cash equivalents that are not available for use. Even if, there is no such conditions or restrictions in using the cash and cash equivalent, then management should explicitly disclose to be in compliance with Ind AS 7.	Para 48 of Ind AS 7 states that, "An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group."

15. Reporting cash flows on a net basis

Observation(s)	What should one remember?
It was observed that in several cases, proceeds and repayment of term loans, current borrowings etc. were disclosed on a net basis in the statement of cash flows. Similarly, in certain cases likepurchase / sale of investments in subsidiaries, sale/ purchase of PPE, were disclosed on net basis. This observation is also noticed in case of public sector entities.	Para 21 of Ind AS 7 states that "An entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except to the extent that cash flows described in paragraphs 22 and 24 are reported on a net basis." Ind AS -7 has specific conditions to be fulfilled in order to report cash flows on a net basis which have been specified in paragraph 22 as "Cash flows arising from the following operating, investing, or financing activities may be reported on a net basis: a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer

	rather than those of the entity; and b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short. Unless the above conditions are fulfilled, ensure that disclosures are made on a gross basis rather than net basis.

16. Disclosure of changes in liabilities - Statement of Cash Flows

Observation(s)	What should one remember?
It was noted that the company has not made the disclosure about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	As per Para 44A of Ind AS 7 (Statement of Cash Flows), "An entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes." Ideally such reconciliation should be presented along with the Statement of cash flows.

17. Preparation of Statement of Cash Flows

Observation(s)	What should one remember?
It was observed in some cases a statement of cash flows is not prepared by a certain organization when such companies are not exempt from the preparation of Statement of Cash Flows. Further in some cases incorrect terminology was used for statement of cash flow	Ind AS 7 requires all to prepare and present statement of cash flows. Every organization, whether it is small or big in size, whether it's a manufacturing organization or trading concern or service organization, needs cash for running its business. Thus, every organization is required to generate the cash and utilizes cash continuously thus it is important for every organization to prepare statement of cash flows.

	The correct terminology as per IND AS -7 is "Statement of cash flow" not " Cash Flow Statement"

18. Reconciliation of cash and cash equivalents

Observation(s)	What should one remember?
In some cases, it was observed that the aggregate cash and cash equivalents, considered in the statement of cash flows were not reconciled with the cash and cash equivalents disclosed under the head 'cash and bank balances' in the balance sheet. This observation was also noticed in case of financial service sector entities.	The requirement of paragraph 45 of Ind AS 7 needs to be complied with, which states: "An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the balance sheet."

19. Interest and dividends in the Statement of Cash Flows

Observation(s)	What should one remember?
It was observed that in some cases the interest and dividend paid are disclosed together instead of disclosing them separately in the Statement of Cash Flows.	Para 31 as per Ind AS 7 state s that Cash flows from interest and dividends received and paid shall each be disclosed separately. Cash flows arising from interest paid and interest and dividends received in the case of a financial institution should be classified as cash flows arising from operating activities. In the case of other entities, cash flows arising from interest paid should be classified as cash flows from financing activities while interest and dividends received should be classified as

	cash flows from investing activities. Dividends paid should be classified as cash flows from financing activities.

20. Effect of obtaining control or losing control of subsidiaries in statement of cash flows

Observation(s)	What should one remember?
It was observed that entities have not shown the effect of obtaining control or losing control of subsidiaries or other businesses as separate line items in statement of cash flows.	As per Para 39 of Ind AS 7 "The aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses shall be presented separately and classified as investing activities". An entity shall disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses during the period each of the following: a) the total consideration paid or received. b) the portion of the consideration consisting of cash and cash equivalents. c) the amount of cash and cash equivalents in the subsidiaries or other businesses over which control is obtained or lost; and d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses over which control is obtained or lost, summarized by each major category

21. Components of cash and cash equivalents

Observation(s)	What should one remember?
Cash and cash equivalents, in a few cases, included	In explaining the definition of cash equivalents, paragraph 6 & 7 of IND AS 7

deposits with maturity over twelve months.	states: “Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.” Consequently, where deposits with maturity over 12 months are included in cash equivalents, it would be appropriate to explain why these were considered as cash equivalents.

22. Dividend distribution tax for financing activities

Observation(s)	**What should one remember?**
In certain cases, it was observed that, there was no specific mention of dividend distribution tax although the cash flows from financing activities included dividend paid.	As per Para 31 of IND AS 7, …. “Dividends paid should be classified as cash flows from financing activities.” As per Para 36 of IND AS 7, …..”when it is practicable to identify the tax cash flow with an individual transaction that gives rise to cash flows that are classified as investing or financing activities the tax cash flow is classified as an investing or financing activity as appropriate.”

23. Exchange Earner Foreign Currency Account

Observation(s)	What should one remember?
It was viewed in some cases from the Note in Cash and Cash Equivalents read with the Statement of Cash Flows that the company held bank balance in Exchange Earners Foreign Currency Account (EEFC). It was viewed that the effect of changes in the exchange rate on cash and cash equivalents balance, as required by paragraph 28 of Ind AS 7 is not disclosed under the Statement of Cash Flows. Accordingly, it was viewed that the requirements of paragraph 28 of Ind AS 7 has not been complied with in preparation and presentation of statement of cash flows.	Paragraph 28 of Ind AS 7 states that the unrealized gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing, and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates

24. Presenting advance for tax and provision for tax

Observation(s)	What should one remember?
1. In many cases, it was observed that advance taxes were presented under the head ‘loans and advances’ and provision for tax under the head ‘provisions’ without offsetting the two amounts.	IND AS12 has a specific requirement with respect to offsetting. As per paragraph 71, An entity shall offset current tax assets and current tax liabilities if, and only if, the entity: (a) has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis,

	or to realize the asset and settle the liability simultaneously An entity will normally have a legally enforceable right to set off a current tax asset against a current tax liability when they relate to income taxes levied by the same taxation authority and the taxation laws permit the entity to make or receive a single net payment. Where the enterprise can fulfill the criteria set out in paragraph 71 of IND AS 12, disclose the advance tax / provision for tax on a net basis.
2. In another case, it was noted that the company has not fulfilled the criteria as per IND AS 12 and disclosed the advance tax / provision for tax on a net basis.	2. Similarly, where the enterprise cannot fulfill the criteria set out in paragraph 71 of IND AS 12, shall not disclose the advance tax / provision for tax on a net basis.

25. Presentation of deferred tax liability / asset in the consolidated financial statement

Observation(s)	What should one remember?
In some cases, it was observed that treatment for offsetting of deferred tax liability/deferred tax asset in the consolidated financial statements of a company is not in line with Ind AS 12.	As per Ind AS 12 para 74 An entity shall offset deferred tax assets and deferred tax liabilities if, and only if: a) The entity has a legally enforceable right to set off current tax assets against current tax liabilities and b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: I. the same taxable entity; or II. different taxable entities which

	intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. Consequently, in case of consolidated financial statements, it would be appropriate to offset the deferred tax assets and deferred tax liabilities of the parent and the subsidiaries, only in cases where the abovementioned conditions are satisfied.

26. Offsetting of deferred tax assets and deferred tax liabilities

Observation(s)	What should one remember?
It was viewed in some cases from the Standalone Financial Statements that the company has presented deferred tax asset (DTA) & deferred tax liability (DTL) separately on the face of the balance sheet instead of being presented on net basis on the face of the balance sheet after offsetting, accordingly it was viewed that the requirements of para 74 of Ind AS 12 have not been complied with.	Para 74 of Ind AS 12 states that the An entity shall offset deferred tax assets and deferred tax liabilities if, and only if: a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: I. the same taxable entity; or II. different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities

	simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

27. Convincing evidence

Observation(s)	What should one remember?
In certain cases, it was observed that the notes to accounts included a note that deferred tax assets have been recognized on unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity. However, no disclosures were made as to what is the convincing evidence as required by IND AS 12	Paragraph 82 of IND AS 12 has a specific disclosure requirement relating to convincing evidence which reads as follows: 'An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition' when: (a) The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and (b) the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates. Ensure that the nature of evidence is also disclosed in this regard.

28. Disclosure of Provisions

Observation(s)	What should one remember?
In certain cases, it was observed that the note on provisions disclosed provision towards decommissioning liability,	With respect to provisions, IND AS 37 requires disclosures as contained in paragraph 84 and 85 which state: "84. For each class of provision, an entity

but there were no further disclosures made in the financial statements in line with the requirements of IND AS 37. The similar nature of non- discloser is observed in case of financial service sector entities for loan commitment in the notes of provision, where reconciliation as required under Para 84 of IND AS 37 is not provided. It was noted that in the notes of Provisions (Non-Current), company has presented the following: (a) Provision for employee benefits (b) Others (Refer note below) In the note, it is mentioned that "Others include matters relating to indirect tax matters".	shall disclose: (a) the carrying amount at the beginning and end of the period; (b) additional provisions made in the period, including increases to existing provisions; (c) amounts used (i.e. incurred and charged against the provision) during the period ; (d) unused amounts reversed during the period ; and (e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate. Comparative information is not required. 85. An entity shall disclose the following for each class of provision: (a) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits; (b) an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 48;and (c) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement"

29. Property, Plant and Equipment- Accounting policy

Observation(s)	What should one remember?
It was observed that as per para 7 & 67 of IND AS 16 “Property, Plant and Equipment”, Accounting policy for recognition and de-recognition criteria of Property, plant, equipment is not disclosed in material accounting policies.	Para 117 of Indian Accounting Standard (IND AS) 1, Disclosure of Accounting Policies requires, “An entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.” Accordingly, the entity should have mentioned Recognition and Derecognition criteria for Property Plant & Equipment as per Para 7 & 67 of IND AS 16 ‘Property Plant & Equipment’. As per Para 7 The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if: (a) it is probable that future economic benefits associated with the item will flow to the entity; and (b) the cost of the item can be measured reliably. As per Para 67 The carrying amount of an item of property, plant and equipment shall be derecognized: (a) on disposal; or (b) when no future economic benefits are expected from its use or disposal.

30. Property, Plant and Equipment- Nomenclature

Observation(s)	What should one remember?
It was observed that the heading "tangible Assets" has been used by the company instead of using the correct nomenclature i.e., "Property, Plant and Equipment" which is suggested by Ind AS 1, Ind AS 16 as well as Division II Ind AS Schedule III to Companies Act, 2013. In another case, it was noted that the company has used the term 'fixed asset' instead of 'Property, Plant and Equipment'.	Ind As 16, Property, Plant and Equipment to be read with Ind AS 1, Presentation of financial statements and Format of Balance Sheet given under Division -II Ind AS Schedule III to of the Companies Act, 2013 that states the balance sheet shall include the line items that present the following amounts: ASSETS 1. Non- current assets a) Property, Plant and Equipment's

31. Expenditure during construction period

Observation(s)	What should one remember?
In certain cases, the accounting policy stated that certain expenses such as indirect costs / other incidental expenses which were incurred during construction period, were included in the amounts capitalized.	Reference in this regard is made to the requirements of paragraph 16 of IND AS 16, which states: "The cost of an item of property, plant and equipment comprises: its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management." Consequently, it needs to be elaborated in the accounting policy as to whether the indirect costs were in fact directly attributable to construction of the asset.

32. Disclosure of the risk- Investments in Plan Assets

Observation(s)	What should one remember?
It was observed that in some cases, companies have not disclosed the risk associated with the investments in plan assets as per para 139(b) of Ind AS 19.	As per Para 139(b) of Ind AS 19, 'Employee Benefits' An entity shall disclose the description of the risks to which the plan exposes the entity, focused on any unusual, entity specific or plan-specific risks, and of any significant concentrations of risk. For example, if plan assets are invested primarily in one class of investments, e.g. property, the plan may expose the entity to a concentration of property market risk. The entity should have made the following disclosure.

33. Director Sitting Fees

Observation(s)	What should one remember?
1. It was observed from the note on 'Other Expenses' that the director's sitting fees were disclosed there. Hence the requirement of Ind AS 19 has not been complied with in preparation and presentation of the Financial Statements. 2. It was also observed in another case that in the note related to KMP's remuneration/compensation the company has presented the sitting fees paid to independent director under the separate head other	1. Director's sitting fees should have been disclosed under the head employee benefit expenses in line with paragraph 7 of Ind As 19. "An employee may provide services to an entity on a full-time, part time, permanent, casual or temporary basis. For the purpose of this Standard, employees include directors (either in whole-time or part time employment of the company) and other management personnel". 2. Para 17 of Ind AS 24 states that "an entity shall disclose key management personnel compensation in total and for each of the following categories: (a) short-term employee benefits;

than the five heads prescribed under Para 17 of Ind AS 24.	(b) post-employment benefits; (c) other long-term benefits; (d) termination benefits; and (e) share-based payment." As per ITFG Bulletin 11 Issue 9, The sitting fees paid to directors will fall under the definition of "Short-term employee benefits" as per Ind AS 19 and is required to be disclosed in accordance with the paragraph 17 of Ind AS 24. Therefore, the company should disclose the sitting fees under "Short Term Employee benefits" instead of any other head.

34. Defined contribution plans

Observation(s)	What should one remember?
Where a company had defined contribution plans in the form of provident fund, it was noticed that it did not make a separate disclosure of what was the amount recognized in this regard in the statement of profit and loss during the year.	Paragraph 53 of IND AS 19 states: "An entity shall disclose the amount recognised as an expense for defined contribution plans."

35. Defined benefit plans – inappropriate classification

Observation(s)	What should one remember?
In some cases, it was observed that the classification of employment benefits were not in accordance with the requirements of IND AS 19.	Appropriate recognition and measurement of employee benefits is dependent on the accurate classification of the employee benefit in accordance with the guidance in IND AS 19. Inappropriate classification of employee benefits could potentially lead to

For example, in some cases, employee benefit in the nature of gratuity was classified as a 'short term employee benefit' with no explanation as to the reason for such classification.	inappropriate recognition of expenses, related provision as well as incorrect presentation & disclosures. Reference should be made to the definitions of the various categories of employee benefits and each employee benefit needs to be carefully analyzed to identify appropriate classification.

36. Disclosure of the amortization period and the amortization method

Observation(s)	What should one remember?
It was observed in some cases that companies did not disclose its amortization period and the amortization method for an intangible asset.	As per Para 104 of Ind AS 38 "Intangible Assets", the amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. Company has not disclosed its policy regarding review of amortization period and method.

37. Intangible assets – Assets with indefinite life

Observation(s)	What should one remember?
In certain cases, it was noticed, that the entities disclosed certain intangible assets as perpetual assets with no amortisation being provided on the same. However, impairment loss needs to be provided.	As per Para 107 of IND AS 38, 'An intangible asset with an indefinite useful life shall not be amortised.' As per Para 108 of IND AS 38, 'In accordance with Ind AS 36, an entity is required to test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount (a) annually, and (b) whenever there is an indication that

	the intangible asset may be impaired.' Also, as per Para 109 of IND AS 38, 'The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.'
2. It was observed that companies have not segregated the intangible assets with finite useful lives and with indefinite useful lives.	2. Para 88 of Ind AS 38 states that an entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Further, Para 118(a) of Ind AS 38 states that an entity shall disclose, for each class of intangible assets, whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortization rates used. Therefore, companies should clearly segregate the assets with finite useful lives from the assets with indefinite useful lives.
3. It was observed that the companies have used incorrect terminology for 'indefinite useful lives'. Companies have used	3. Ind AS 38 have mentioned the terminology 'indefinite useful lives'. Para 91 of Ind AS 38 specifically states that the term 'indefinite' does not mean 'infinite'. The useful life of an intangible

the term 'infinite'.	asset reflects only that level of future maintenance expenditure required to maintain the asset at its standard of performance assessed at the time of estimating the asset's useful life, and the entity's ability and intention to reach such a level. A conclusion that the useful life of an intangible asset is indefinite should not depend on planned future expenditure in excess of that required to maintain the asset at that standard of performance.

38. Amortization of intangible assets- Terminology

Observation(s)	What should one remember?
In relation to intangibles, in some cases, it was noticed that the accounting policy states the 'depreciation rates' rather than specifying the same as 'amortization rates'.	In case of intangible assets, the term to be used is 'amortization' and not 'depreciation' in line with IND AS 38.

39. Intangible Assets under Development

Observation(s)	What should one remember?
It was observed from the Notes on Property plant and Equipment in the financial statement that Intangible Assets under Development has been shown as a part of "others" under other intangible assets line item.	As per schedule III Intangible Assets under Development were disclosed separately on the face of the balance sheet. **ASSETS** **1.Non-current assets** (f) Intangible assets under development

40. Research and Development Expense

Observation(s)	What should one remember?
It was also noticed that no distinction was made between “research” and “development” phases in drafting the related accounting policies leading to inappropriate accounting policies: For example, policies read as under: “Capital expenditure relating to Research and Development amounting to Rs. XX (previous year Rs. XX) has been included in assets.” Such accounting policy conveys an impression that expenses pertaining to the ‘research phase’ are also considered for capitalization.	Paragraph 54 of IND AS 38 very clearly states: ‘No intangible asset arising from research (or from the research phase of an internal project) shall be recognized. Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred.’ The words / phrases used in describing the accounting policy should be as per the respective Indian accounting standards.

41. Disclosure of Maturity Analysis

Observation(s)	What should one remember?
It was observed that the company (as a lessor, for operating leases) has not disclosed the maturity analysis as required under Para 97 of Ind AS 116.	As per Para 97 of Ind AS 116, for operating lease, a lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.

42. Inappropriate Lease Disclosures

Observation(s)	What should one remember?
In certain cases, it was observed that the accounting policy in books of lessee stated that the leased assets are depreciated over the period of lease term with no reference to the useful life of the asset or Lease term. 2. It was noted that companies have used the terminology ‘Leased Assets’ for assets taken on lease. 3. It was observed that the companies have not presented the right-of-use assets appropriately in the financial statements. 4. It was observed that companies have disclosed its accounting policy for leases without distinguishment of ‘as a lessor’ and ‘as a lessee’. 5. It was observed that companies have not disclosed the maturity analysis of lease liabilities for lessee as per Ind AS 116.	As per para 31 of IND AS 116, a lessee shall apply the depreciation requirements in Ind AS 16, Property, Plant and Equipment, in depreciating the right-of-use asset, subject to the requirements in paragraph 32. Para 32 of IND AS 116 requires: If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. 2. As per Ind AS 116, the correct terminology is ‘Right-of-Use Assets’ for assets taken on lease instead of ‘Leased Assets’. 3. Para 47(a) of Ind AS 116 states that a lessee shall either present in the balance sheet, or disclose in the notes right-of-use assets separately from other assets. If a lessee does not present right-of-use assets separately in the balance sheet, the lessee shall: (i) Include right-of-use assets within the same line item as that within which the corresponding underlying assets would

be presented if they were owned; and

(ii) Disclose which line items in the balance sheet include right-of-use assets

4. In view of Ind AS 116, accounting policy for leases 'as a lessor' and 'as a lessee' should be clearly distinguished so that users can better understand about the company's accounting treatment for both 'as a lessor' and 'as a lessee'.

Para 58 of Ind AS 116 requires the lessee to disclose the maturity analysis of lease liabilities applying paragraphs 39 and B11 of Ind AS 107, separately from the maturity analyses of other financial liabilities.

Illustrative format for presenting maturity profile of lease liabilities is as follows:

Lease Liabilities	**As at 31st March, 2024**	**As at 31st March, 2023**
Before 3 months		
3 – 6 months		
6 – 12 months		
1 – 3 years		
3 – 5 years		
Above 5 years		
Total		

As a best reporting practice, company should disclose the interest rate implicit in the lease or lessee's incremental borrowing rate used for the measurement of lease liability.

43. Short Term Leases and Low Value Leases

<table>
<tr><th>Observation(s)</th><th>What should one remember?</th></tr>
<tr><td>1. It was observed that the accounting polices for election of short-term leases and leases of low value assets was not in accordance with the Ind AS 116 with respect to class of assets or individual asset.
2. It was observed that companies had not given the disclosures for short-term leases and leases of low-value assets as required under Ind AS 116.</td><td>1. Para 8 of Ind AS 116 specifies the basis of election of short-term leases or leases of low value assets as follows:
• The election for short-term leases shall be made by class of underlying asset to which the right of use relates. A class of underlying asset is a grouping of underlying assets of a similar nature and use in an entity's operations.
• The election for leases for which the underlying asset is of low value can be made on a lease-by-lease basis.
2. Para 60 of Ind AS 116 states that a lessee that accounts for short-term leases or leases of low-value assets applying paragraph 6 shall disclose this fact.
Further, Para 53(c) and (d) of Ind AS 116 requires the lessee to disclose the following:
• the expense relating to short-term leases accounted for applying paragraph 6. This expense shall not include the expense relating to leases with a lease term of one month or less.
• the expense relating to leases of low-value assets accounted for applying paragraph 6. This expense shall not include the</td></tr>
</table>

	expense relating to short-term leases of low-value assets included in paragraph 53(c).

44. Disclosures regarding leases

Observation(s)	What should one remember?
It was observed in some cases including entities of financial service sector, do not meet the disclosure objective as per Ind AS 116 that provide adequate information to users of financial statements. E.g. A company has taken various residential and office premises under operating lease and the company has not disclosed the total cash outflows for leases as per Para 53 (g) of IND AS 116.	Ind AS 116 requires an entity i.e., lessee to disclose information in the notes that, together with the information provided in the balance sheet, statement of profit and loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance, and cash flows of the lessee. Para 52 states that A lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases. Para 53 states that a lessee shall disclose the following amounts for the reporting period: a) depreciation charge for right-of-use assets by class of underlying asset. b) interest expense on lease liabilities. c) The expense relating to short-term leases accounted for applying paragraph 6. This expense need not include the expense relating to leases

	with a lease term of one month or less. d) The expense relating to leases of low-value assets accounted for applying paragraph 6. This expense shall not include the expense relating to short-term leases of low-value assets included in paragraph 53(c). e) the expense relating to variable lease payments not included in the measurement of lease liabilities. f) income from subleasing right-of-use assets g) total cash outflow for leases. h) additions to right-of-use assets. i) gains or losses arising from sale and leaseback transactions; and j) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset Further, Para 54 of Ind AS 116 states that 'A lessee shall provide the disclosures specified in paragraph 53 in a tabular format, unless another format is more appropriate. The amounts disclosed shall include costs that a lessee has included in the carrying amount of another asset during the reporting period.'

45. Disclosure of qualitative and quantitative information about leasing activities

Observation(s)	What should one remember?
It was observed in some cases that companies fail to give additional qualitative	As per Ind AS 116 para 59 states that in addition to the disclosures required in paragraphs 53–58, a lessee shall disclose

and quantitative information about its leasing activities that are necessary to meet the disclosure requirements of Ind AS 116.	additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 51 (as described in paragraph B48). This additional information may include, but is not limited to, information that helps users of financial statements to assess: a) the nature of the lessee's leasing activities. b) future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from: i. variable lease payments (as described in paragraph B49). ii. extension options and termination options (as described in paragraph B50). iii. residual value guarantees (as described in paragraph B51); and iv. leases not yet commenced to which the lessee is committed. c) restrictions or covenants imposed by leases; and d) sale and leaseback transactions (as described in paragraph B52).

46. Going Concern

Observation(s)	What should one remember?
It was noted from the Note on Capital management that the company manages its capital to ensure that it will continue as going concern.	Para 25 of Ind AS 1 state that when preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial

It was observed that the entire net worth of the company is substantially eroded and there was no material business activity during the year. The company has not made the relevant disclosures as per the requirements of para 25 of Ind AS 1.	statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern. It should be noted that merely erosion of net worth is a not a reason for not presenting the financial statements on going concern basis. As per Ind AS 1, the decision of whether to prepare the financial statements or not is based on the assessment of the entity's ability to continue as a going concern. The management should have prepared the business continuity plan and justified it. For example, in case of new aged companies or start-ups, they are into cash losses, but they have the future viability business plan to continue as a going concern.

47. Corresponding amounts for immediately preceding reporting period

Observation(s)	What should one remember?
It has been observed in reports that the disclosure	As per Para 36 of IND AS 1, An entity shall present a complete set of financial

made by entities in respect of presenting comparative information in case of change in reporting period like from calendar year to financial year is not adequate and not in accordance with IND AS -1.	statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements: (a) the reason for using a longer or shorter period, and (b) the fact that amounts presented in the financial statements are not entirely comparable. Accordingly, entity should present the current year financials for a shorter or longer period as the case may be & disclosures should be appropriately given for the true & fair reporting to the stakeholders.

48. Change in accounting policy

Observation(s)	What should one remember?
1. In certain cases, it was observed that notes to the financial statements mentioned that a change in accounting policy e.g. change in method of inventory valuation. However, there were no further disclosures regarding the impact of such changes etc. 2. It was observed that in case of voluntary change in accounting policies, entities	1. In case of Voluntary change in accounting policy has an effect on the current period or any prior period or might have an effect on future periods, as per Paragraph 29 of IND AS 8, an entity shall disclose…" a. the nature of the change in accounting policy b. the reasons why applying the new accounting policy provides reliable and more relevant information c. for the current period and each prior period presented, to the extent practicable, the amount of the

are providing the disclosure made at the time of change in subsequent periods also.	adjustment: (i) for each financial statement line item affected; and (ii) if Ind AS 33 applies to the entity, for basic and diluted earnings per share; and d. the amount of the adjustment relating to periods before those presented, to the extent practicable. e. if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied. 2. As per Para 29 of Ind AS 8, in case of voluntary change in accounting policies, there is no requirement in subsequent periods to repeat these disclosures. In the subsequent periods, the accounting policy information of previous years is not considered as material. As per Para 117D of Ind AS 1, If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. Therefore, disclosing the voluntary change in accounting policies in subsequent periods may be considered as obscure in material accounting policy information and thus, entity should not disclose it in subsequent periods.

49. Accounting Policies- Disclosure

Observation(s)	What should one remember?
1. It has been observed that at times, the entity had certain transactions or events with regard to which accounting policies were not disclosed even though amounts involved were qualifying the test of materiality, like company had foreign operations, but no reference to manner of translating results & financial position of a foreign operation is given. 2. In certain other cases, it was observed that rather than stating the accounting policy used, the policy only referred to the Accounting Standard being applied. For example, in one case, the accounting policy merely stated: "Property, Plant & Equipment is recognized & measured in accordance with IND AS 16."	1. Para 117 of Indian Accounting Standard (IND AS) 1, Disclosure of Accounting Policies requires, "An entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Para 117B of Ind AS 1 states that Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and: (a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements (b) the entity chose the accounting policy from one or more options permitted by Ind ASs; (c) the accounting policy was developed in accordance with Ind AS 8 in the absence of an Ind AS that specifically

	applies (d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs 122 and 125; or (e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions-such a situation could arise if an entity applies more than one Ind AS to a class of material transactions. In view of above, entity should assess the materiality of an accounting policy information. If the accounting policy information tested to be material, then such accounting policy information should be disclosed. Further, as per Para 117A of Ind AS 1, Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. 2. Para 117C of Ind AS 1 states that Accounting policy information that focuses on how an entity has applied the requirements of the Ind ASs to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the Ind ASs.

	Therefore, entity should disclose entity-specific information rather than disclosing that "PPE is recognized and measured in accordance with Ind AS 16. Illustrative disclosure of accounting policy for PPE is as follows: "All items of property, plant and equipment, including freehold land, are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment other than freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated."

50. Disclosures for comparative figures

Observation(s)	What should one remember?
It was observed that the organizations fail to give significant disclosures regarding comparative figures in case of reclassification of items in its financial statements.	As per Para 41 of Ind AS 1: If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period): (a) the nature of the reclassification (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification. Para 42 When it is impracticable to reclassify comparative amounts, an entity shall disclose:

	(a) the reason for not reclassifying the amounts, and (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

51. Prior period errors

Observation(s)	**What should one remember?**
In certain cases, where the profit and loss account included a prior period expense, it was observed that, there was no disclosure regarding the nature of expense.	In case of prior period expenses, as per Paragraph 49 of IND AS 8,"an entity shall disclose the following: **a.** the nature of the prior period error"

3. Sensitivity Analysis for each type of Market Risk

Observation(s)	**What should one remember?**
It was observed in some cases from the note on financial risk management that while giving disclosure of market risk, the information related to sensitivity analysis for each type of market risk has not been disclosed in line with paragraph 40 of Ind AS 107.	Para 40 of Ind AS 107 states disclosure regarding market risk and information related to sensitivity analysis. Unless an entity complies with paragraph 41, it shall disclose: a. a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date b. the methods and assumptions used in preparing the sensitivity analysis; and c. changes from the previous period in the methods and assumptions used,

	and the reasons for such changes As a best reporting practice, sensitivity analysis for each type of risk should be presented in tabular format.

52. Disclosure of Credit risk

Observation(s)	What should one remember?
It was observed in some cases from note on financial risk Management that while disclosure of Credit risk, the information about the collateral held as security and other credit enhancements has not been disclosed in line with para 36 of Ind AS 107.	Para 36 of Ind AS 107 states that for all financial instruments within the scope of this Ind AS, but to which the impairment requirements in Ind AS 109 are not applied, an entity shall disclose by class of financial instrument: a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with Ind AS 32); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. b) a description of collateral held as security and other credit enhancements, and their financial effect (eg quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument).

53. Qualitative and quantitative disclosures for each type of risk

<table>
<tr><th>Observation(s)</th><th>What should one remember?</th></tr>
<tr><td>It was observed from the financial statements of the company that qualitative and quantitative disclosures as required by the paragraphs 33 and 34 of Ind AS 107 related to each type of risk arising from financial instruments have not been made by the company in the Notes to Accounts.</td><td>Para 33 of Ind AS 107 requires for each type of risk arising from financial instruments, an entity shall disclose:
a) the exposures to risk and how they arise.
b) its objectives, policies, and processes for managing the risk and the methods used to measure the risk; and
c) any changes in (a) or (b) from the previous period.
Para 34 of Ind AS 107 requires for each type of risk arising from financial instruments, an entity shall disclose:
a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in Ind AS 24, Related Party Disclosures), for example the entity's board of directors or chief executive officer.
b) the disclosures required by paragraphs 36–42, to the extent not provided in accordance with (a).
c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).</td></tr>
</table>

54. Incorrect categorization of market risk

Observation(s)	What should one remember?
It was noted that the companies have presented the incorrect categorization of market risk of financial instruments.	As per Appendix A of Ind AS 107 defines the market risk as follows: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: • Currency Risk • Interest Rate Risk • Other Price Risk **Currency Risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. **Interest Rate Risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. **Other Price Risk:** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. Entity should ensure the correct categorization of market risk as per Ind AS 107 and use the correct terminology while making such disclosure.

55. Provision matrix for ECL on Trade Receivables

Observation(s)	What should one remember?
It was observed that the disclosure made by the companies in relation to Credit Risk Exposure of its Financial Instruments is not in accordance with the requirements of Para 35M and Para 35N of Ind AS 107 as it does not give information of the provision matrix used for computing impairment loss allowance for Trade Receivables and the credit risk grades used for managing the credit risk of Other Financial Assets.	Para 35M of Ind AS 107 states, “To enable users of financial statements to assess an entity’s credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments: (b) for which the loss allowance is measured at an amount equal to 12-month expected credit losses; (c) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are: (i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets; (ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit- impaired); and (iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of Ind AS 109. (d) that are purchased or originated credit-impaired financial assets. Further, Para 35N of Ind AS 107 states, For trade receivables, contract assets and lease receivables to which an entity applies paragraph

5.5.15 of Ind AS 109, the information provided in accordance with paragraph 35M may be based on a provision matrix (see paragraph B5.5.35 of Ind AS 109).

Illustrative format for presenting the provision matrix is as follows:

Particulars	Trade Receivables days past due			
	Current	More than 30 days	More than 60 days	Total
Dealer financing				
Expected credit loss rate	0.10%	2%	5%	
Estimated gross carrying amount at default	20,000	10,000	1,000	31,000
Lifetime expected credit loss	20	200	50	270
Customer financing				
Expected credit loss rate	0.20%	3%	8%	
Estimated gross carrying amount at default	30,000	15,000	2,000	47,000
Lifetime expected credit loss	60	450	160	670

56. Derecognition of investments in equity instruments

Observation(s)	What should one remember?
In some cases, it was viewed that the entity derecognized investment in the equity instruments measured at fair value through other comprehensive income during the reporting period but failed to give the necessary disclosures required by Ind AS 107.	Para 11B of Ind AS 107 states If an entity derecognized investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose: a) the reasons for disposing of the investments. b) the fair value of the investments at the date of derecognition c) the cumulative gain or loss on disposal Further, Para 11A(d) of Ind AS 107 requires the entity to disclose dividends related to investments derecognised during the reporting period separately from the dividends recognized during the period. Further, Para 20(a)(viii) of Ind AS 107 requires the entity to disclose (in the statement of profit and loss or in the notes) the amount reclassified upon decrecognition from accumulated other comprehensive income to profit or loss for the period separately from the amount of net gains or net losses on financial assets measured at fair value through other comprehensive income.

57. Reclassification of financial assets

Observation(s)	What should one remember?
It was observed in some cases from the statement of	Para 12B of Ind AS 107 states that an entity shall disclose if, in the current or

profit and Loss that a loss was disclosed on account of reclassification of financial assets from amortized cost to fair value. Later, a change in the business model has been made by the company, consequently financial instruments which were otherwise valued at amortized cost, now valued at fair value through other comprehensive income. Accordingly, it was viewed that the company should have made the appropriate disclosure in line with paragraph 12B of Ind AS 107 giving details of such reclassification.	previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of Ind AS 109. For each such event, an entity shall disclose: a) the date of reclassification. b) a detailed explanation of the change in the business model and a qualitative description of its effect on the entity's financial statements. c) the amount reclassified into and out of each category.

58. Assets held for disposal

Observation(s)	What should one remember?
In cases, where the entity had assets held for disposal, such assets were not separately presented in the financial statements. Further they were presented at net book value. 2. It was observed that company have not specified the reasons for assets classified as held for sale. 3. It was observed that the assets classified as held for sale continued to be	Paragraph 15 of IND AS 105 specifically deals with assets held for disposal and states: 'An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.' Paragraph 38 of IND AS 105 requires: 'an entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the balance sheet.' Ensure that assets held for disposal are separately presented at values specified

presented at same value in the balance sheet over the years without any specified reason.	as per above paragraphs. 2. Para 30 of Ind AS 105 requires the entity to present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups). Further, Para 41 of Ind AS 105 states that an entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold: (a) a description of the non-current asset (or disposal group); (b) a description of the facts and circumstances of the sale, or leading to the expected disposal and the expected manner and timing of that disposal….. 3. Para 9 of Ind AS 105 states that "Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group). This will be the case when the criteria in Appendix B are met." Further, as per Appendix B of Ind AS 105, an exception to the one-year requirement in paragraph 8 shall therefore apply in the

	following situations in which events or circumstances arise: (a) at the date an entity commits itself to a plan to sell a non- current asset (or disposal group) it reasonably expects that others (not a buyer) will impose conditions on the transfer of the asset (or disposal group) that will extend the period required to complete the sale, and: (i) actions necessary to respond to those conditions cannot be initiated until after a firm purchase commitment is obtained, and (ii) a firm purchase commitment is highly probable within one year. (b) an entity obtains a firm purchase commitment and, as a result, a buyer or others unexpectedly impose conditions on the transfer of a non-current asset (or disposal group) previously classified as held for sale that will extend the period required to complete the sale, and: (i) timely actions necessary to respond to the conditions have been taken, and (ii) a favourable resolution of the delaying factors is expected. (c) during the initial one-year period, circumstances arise that were previously considered unlikely and, as a result, a non- current asset (or disposal group) previously classified as held for sale is not sold by the end of that period, and:

	(i) during the initial one-year period the entity took action necessary to respond to the change in circumstances, (ii) the non-current asset (or disposal group) is being actively marketed at a price that is reasonable, given the change in circumstances, and (iii) the criteria in paragraphs 7 and 8 are met. Therefore, company should disclose the events or circumstances due to which the extension beyond one year is taken for assets classified as held for sale.

59. Qualifying Assets

Observation(s)	**What should one remember?**
In certain cases, it was observed that the accounting policy disclosed with respect to borrowing costs states: "Finance costs relating to acquisition of property, plant & equipment are also included to the extent they relate to the period till such assets are ready for intended use". Such accounting policy gives an impression that finance costs on acquisition of all such assets are capitalized rather than just qualifying assets.	IND AS 23 permits capitalization of borrowing costs only when they relate to qualifying assets as specified in paragraph 8: "An entity shall capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognize other borrowing costs as an expense in the period in which it incurs them." Para 5 of Ind AS 23 defines the qualifying asset as follows: "A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale."

60. Date of cessation

Observation(s)	What should one remember?
In certain cases, it was observed that the accounting policy with respect to borrowing costs, specified that borrowing costs attributable to qualifying assets were capitalized up to the date of 'completion' of the assets.	The requirement of IND AS 23 is to ensure that borrowing costs are capitalized only till the time substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete (paragraph 22). Consequently, the reference to 'completion' of assets is not the correct wording as per the requirement of the standard.

61. Disclosure of Borrowing cost

Observation(s)	What should one remember?
In most cases, it was observed that borrowing costs on qualifying assets were capitalized and an accounting policy for the same was also disclosed. However, the amount of borrowing costs capitalized during the year was not disclosed.	Paragraph 26 of IND AS 23 requires the disclosure of 'the amount of borrowing costs capitalized during the period & the capitalization rate used to determine the amount of borrowing costs eligible for capitalization.'

62. Non-Disclosures of Discount Rate(s)

Observation(s)	What should one remember?
It was observed that companies have not disclosed the discount rate(s) used in computing the value in use or fair values less costs of disposal as required under Ind AS 36. Companies have	Disclosure for an individual asset (including goodwill) or a cash-generating unit, for which an impairment loss has been recognized or reversed during the period: • Para 130(f)(iii) of Ind AS 36 requires that if the recoverable amount is fair

just disclosed that "it was computed on the basis of appropriate discounting factor".	value less costs to disposal and fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, the entity shall disclose the discount rate(s) used in the current measurement and previous measurement if fair value less costs of disposal is measured using a present value technique. • Para 130(g) of Ind AS 36 requires that if recoverable amount is value in use, the entity shall disclose the discount rate(s) used in the current estimate and previous estimate (if any) of value in use. Disclosure for each cash ash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives: • Para 134(d)(v) of Ind AS 36, if the unit's (group of units') recoverable amount is based on value in use, the entity shall disclose the discount rate(s) applied to the cash flow projections. • Para 134(e)(v) of Ind AS 36, if the unit's (group of units') recoverable amount is based on fair value less costs of disposal and it is not measured using a quoted price for an identical unit (group of units), the

	entity shall disclose the discount rate(s) applied to cash flow projections. Therefore, instead of mentioning that appropriate discounting factor was used, company should disclose the specific discount rate which was actually used in the computation.

63. Valuation of inventories

Observation(s)	What should one remember?
It has been observed, in some cases, that the accounting policy relating to valuation of inventories specified that certain categories of inventories, usually raw materials stores or work in progress, were valued only at cost with no reference to net realizable value. In certain other cases, it was observed that the accounting policy refers to lower of cost or market value rather than net realizable value. 2. It was observed that the company have not disclosed the cost value where the company have mentioned that the inventories are valued at net realizable value. 3. It was observed that the companies have not covered all the components	With regard to measurement, Para 9 of IND AS 2 requires that "Inventories should be valued at the lower of cost and net realizable value." Inventories refer to all categories of inventories and requirements apply to all categories of inventories including raw materials, finished goods, etc. The accounting policy should be in line with the requirements of IND AS and actual treatment/accounting done for each class of inventory. 2. Company should disclose the components of cost appropriately with respect to raw materials, stores & spares, work-in-progress and finished goods irrespective of the fact that whether the valuation is based on net realizable value. Further, Para 9 of Ind AS 2 states that the inventories shall be measured at the lower of cost and net realizable value, therefore it is necessary to describe both i.e., cost, and net realizable value in the accounting policy. 3. Para 10 of Ind AS 2 states that the

of cost while disclosing the accounting policy for inventory such as apportioned overheads e.g. depreciation on factory buildings was not covered in cost of finished goods.	cost of inventories shall comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Further, Para 12 of Ind AS 2 states that the cost of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The illustrative disclosure for cost component is as follows: • Cost of raw materials and stores and spares includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. • Cost of finished goods and work-in-progress include all costs of purchases, conversion costs and other costs incurred in bringing the inventories to their present location and condition. It includes the appropriate portion of overheads.

64. Disclosure of Cost formula

Observation(s)	What should one remember?
It was observed that most companies did not disclose the cost formula as required by IND AS 2	Paragraph 36 of IND AS 2 specifically requires disclosure of "The accounting policies adopted in measuring inventories, including the cost formula used." The cost formula used should be included in the accounting policy of inventories (For example, FIFO, weighted average method, etc.)

65. Nature of Government Grant

Observation(s)	What should one remember?
In certain cases, it was noticed that the accounting policy for government grants was generic without specifying the nature of the grants leading to ambiguity in terms of appropriateness of the accounting treatment. For example, a policy read as under: "Government grants are recognized in the profit and loss account in accordance with the related scheme and in the period in which these are accrued.	The requirement of IND AS 20 is to account for grants based on their nature, viz., grants related to assets, grants related to income. Accordingly, both the nature of grant as well as the consequent accounting treatment will need to be provided in the accounting policy in order to give a complete understanding. The illustrative accounting policy for grants is as follows: "Government grants and subsidies are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants / subsidy will be received. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of the assets. The grant is recognized as income over the life of a depreciable asset by way of a reduced depreciation charge.

66. Different Accounting policies

Observation(s)	What should one remember?
In some cases, it was observed that there is no disclosure of appropriate adjustments in the financial statements of the group member's accounting policies other than those	As per Ind AS 110 para B87 states that if a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial

adopted in preparing consolidated financial statements	statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies

67. Intragroup transactions

Observation(s)	What should one remember?
It was observed, in some cases, that the intragroup balances & transactions were not eliminated as required by the standard.	Paragraph B86 of IND AS 110 requires: ….c. "eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS12, Income Taxes, applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions."

68. Change in ownership interest in an associate or a joint venture

Observation(s)	What should one remember?
It was observed that in some cases there is change in ownership interest in an associate, but the entity didn't transfer the equivalent profit form other comprehensive income to Profit or loss account as required by Ind AS 28.	As per Ind AS 28 para 25 states that If an entity's ownership interest in an associate is reduced, but the entity continues to apply the equity method, the entity shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

69. Disclosure of Place of incorporation and proportion of ownership interest

Observation(s)	What should one remember?
It was observed that in some cases there are investment in subsidiaries and Joint ventures, place of incorporation and proportion of ownership interest has not been disclosed hence requirements of Ind AS 27 have not been complied with in preparation and presentation of the financial statements.	Para 17 (b) of Ind AS 27 states that when a parent (other than a parent covered by paragraphs 16-16A) or an investor with joint control of, or significant influence over, an investee prepares separate financial statements, the parent or investor shall identify the financial statements prepared in accordance with Ind AS 110, Ind AS 111 or Ind AS 28 to which they relate. The parent or investor shall also disclose in its separate financial statements: A list of significant investments in subsidiaries, joint ventures, and associates, including i. the name of those investees. ii. the principal place of business (and country of incorporation, if different) of those investees. iii. its proportion of the ownership interest (and its proportion of the voting rights, if different) held in those investees.

70. Weighted average number of shares

Observation(s)	What should one remember?
In certain cases, it was observed that the disclosure of reconciliation of number of weighted average number of equity shares used as denominator in	As per para 70 of Ind AS 33, ….(b) "An entity shall disclose the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to

calculating the basic and diluted earnings per share was not made.	each other. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share".

71. Disclosure regarding the amount used in the numerator

Observation(s)	What should one remember?
It was observed that while calculating basic and diluted EPS, entities fail to disclose the amount used in numerator. Also, in some cases, reconciliation of numerator with the profit/ loss attributable is not disclosed.	As per para 70(a) of Ind AS 33, An entity shall disclose the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share.
2. It was observed that while calculating dilutive earnings per share, companies had used the incorrect terminology 'profit or loss attributable to ordinary equity holders' instead of using the terminology 'numerator for calculating dilutive earnings per share'.	2. Para 10 of Ind AS 33 states that basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. Further, Para 31 states that for the purpose of calculating diluted earnings per share, an entity shall adjust profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares. If the company has used the term 'profit or loss attributable to equity holders' in calculating Basic EPS, then the same terminology shall not be used for

	calculating Diluted EPS. Company should use the term 'numerator for calculating Diluted EPS'. Further, in view of Para 70(a), company should disclose the amount used as numerator and present the reconciliation between numerator and profit or loss attributable to equity holders.

72. Bonus shares not considered for calculation of Earnings per share

Observation(s)	What should one remember?
It was noted in some cases that bonus shares were issued by the company during the year and same has, although, been considered for calculation of basic and diluted earnings per share for current financial year but the same is not considered for calculation of EPS of previous year. Accordingly, it was viewed that requirements of paragraph 64 of Ind As 33 have not been complied.	Paragraph 64 of Ind AS 33 states that "If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are approved for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively".

73. Dividend on cumulative preference shares

Observation(s)	What should one remember?
In certain cases, it was observed that the dividend on cumulative preference shares was not adjusted while determining earnings for the period.	Paragraph 14 of IND AS 33 specifically requires that the after-tax amount of preference dividends that is deducted from profit or loss is: **b.”** the after-tax amount of the preference dividends for cumulative preference shares required for the period, whether or not the dividends have been declared. The amount of preference dividends for the period does not include the amount of any preference dividends for cumulative preference shares paid or declared during the current period in respect of previous periods.” Where the company has cumulative preference shares, adjustment of dividend on such preference shares should be ensured while determining earnings for the period.

74. EPS for Continuing and Discontinued Operation

Observation(s)	What should one remember?
It was observed that companies have not disclosed the EPS separately for continuing operations and discontinued operations or the cumulative one.	Schedule III of the Companies Act, 2013 requires the company to disclose the following in the Statement of Profit and Loss: • Earnings per equity share (for continuing operation) ➢ Basic ➢ Diluted • Earnings per equity share (for discontinued operation)

	➢ Basic ➢ Diluted • Earnings per equity share (for discontinued & continuing operations) ➢ Basic ➢ Diluted

75. Foreign currency transactions: Monetary assets and liabilities

Observation(s)	What should one remember?
It was observed that the accounting policy in relation to foreign currency transactions stated that "current assets and current liabilities" denominated in foreign currencies as at the balance sheet date are translated at the rate of exchange prevailing at the year-end" rather than referring to "monetary assets and monetary liabilities"	As per Para 23 of IND AS 21" (a) foreign currency monetary items shall be translated using the closing rate." The requirement of translation as per IND AS 21 is with regard to monetary assets and liabilities and not with respect to current assets and current liabilities.

76. Segment reporting

Observation(s)	What should one remember?
It was observed that in some cases companies made disclosures that Ind AS 108 is not applicable to them because the company had only one reportable segment, therefore the requirements of Ind AS 108	It was viewed that although the company was engaged in a single reporting segment yet paragraph 31 of Ind AS 108 is applicable to it, and therefore, details required under paragraphs 32 to 34 of Ind AS 108 should have been disclosed by the company. It was further viewed that the segment

have not been complied.	disclosures are not accounting policies therefore should not have been disclosed under note on "significant accounting policies" rather than same should have been disclosed as part of "Notes to account'.

77. Segment disclosures made in consolidated financial statements

Observation(s)	What should one remember?
Where companies opted to present segment disclosures only in the consolidated financial statements, it was observed that no reference to this fact was made in the standalone financial statements.	As per paragraph 4 of IND AS 108, "If an entity's financial report contains both the consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements." However, it would be appropriate to disclose the fact in the standalone financial statements that the required disclosures are being made, in the consolidated financial statements.

78. Employee share-based payments - disclosures

Observation(s)	What should one remember?
It was observed in some cases that one or more of the following disclosures were not found like: • weighted average share price for stock options exercised during the period • the range of exercise prices and weighted average remaining contractual life for share options outstanding	Disclosure requirements for share based payment arrangements are specified under paragraphs 44 to 52 of IND AS 102 which need to be complied with in its entirety.

• effect of employee share based plans on the entity's profit or loss for the period and on its financial position	

79. Statement of Changes in Equity

Observation(s)	What should one remember?
It was noted that the Note on Equity Share Capital and Note on other Equity have been shown separately instead of disclosing them as sub-head under "Statement of Changes in equity", hence requirements of Division II-Ind AS Schedule III to the Companies Act, 2013 have not been complied with in preparation and presentation of the financial statements.	The presentation and disclosure of "statement of changes in equity" should be in line with the Guidance Note on Division II- Ind AS Schedule III to the Companies Act, 2013 which states as under: Paragraph 4.2 states the following: "Financial statements include the Balance Sheet, Statement of Changes in equity for the period, Statement of Profit and Loss for the period and Notes. Cash flow statement shall be prepared in accordance with the requirements of the relevant Ind AS". Paragraph 8.2 (Equity and liabilities) states the following: **Equity** Under this head, following line items are to be disclosed on the face of the Balance Sheet (a) Equity Share Capital (b) Other Equity Ind As Schedule III, part I- format of Balance Sheet includes not only the format of balance Sheet but also includes the format of 'Statement of Changes in Equity" comprising (A) Equity Share Capital and (B) Other equity.

80. Share application money received pending allotment / calls received in advance

Observation(s)	What should one remember?
It was observed that share application money received pending allotment was included in equity capital disclosed on the face of the balance sheet. The note on share capital disclosed the share application money separately as being added to the share capital.	Schedule III has a specific requirement for disclosure of share application money pending allotment to the extent not refundable shall be shown under the head Equity. In the format of statement of changes in equity, under other equity, a separate column for Share application money pending allotment is given, wherein such amount to be mentioned. Also, share application money to the extent refundable shall be separately shown under ―Óther current liabilities.

81. Employee Stock Options outstanding

Observation(s)	What should one remember?
In a few cases, where the company had outstanding employee stock options, no disclosure was made regarding outstanding options in the note on share capital.	The requirement of the Schedule III is to disclose: shares reserved for issue under options and contracts/commitments for the sale of shares or disinvestment, including the terms and amounts. Where a company has options such as employee stock options or options under a shareholder's agreement, disclose such options in the note relating to share capital.

82. Equity Share Capital disclosures

Observation(s)	What should one remember?
It was noticed in some cases from the note on share capital that amount of authorized, issued, subscribed & paid-up capital has been disclosed however the details of the number of shares for Current and previous have not been disclosed also reconciliation of the number of shares outstanding at the beginning and at the end of the period has also not been disclosed as per the requirement of Schedule III of the companies Act, 2013.	Para 6 D (I) (d) (e) of General Instructions for preparation of Balance sheet of Division II- Ind AS schedule III to the companies Act, 2013 "D. Equity I. Equity Share Capital (d) A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period. (e) The rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital.

83. Movement in reserves

Observation(s)	What should one remember?
It was observed, in some cases, that the balances for current and previous year were different for certain reserves; however movement of the reserves was not given.	The requirement of Schedule III is: 'Additions and deductions since last balance sheet to be shown under each of the specified heads' When there has been a change in the balance of any reserve as compared to the last year, the movement in reserves should be disclosed.

84. Debentures: Terms of redemption / conversion

<table>
<tr><th>Observation(s)</th><th>What should one remember?</th></tr>
<tr><td>It has been observed in a few cases that the disclosures are incomplete – either terms of redemption/ conversion or the dates of redemption / conversion were not disclosed in descending order.</td><td> The requirement of Schedule III is: ‘Bonds/debentures (along with the rate of interest and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be.’ In cases, where bonds/debentures are redeemable by instalments, the date of maturity for this purpose must be reckoned as the date on which the first instalment becomes due. Illustrative format for presenting maturity profile of bonds/ debentures is as follows:
<table>
<tr><th rowspan="2">Rate of Interest</th><th colspan="3">Non-Current</th><th>Current</th></tr>
<tr><th>2025-26</th><th>2024-25</th><th>Total</th><th>2023-24</th></tr>
<tr><td>8.00 %</td><td></td><td></td><td></td><td></td></tr>
<tr><td>8.25%</td><td></td><td></td><td></td><td></td></tr>
<tr><td>9.50%</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total</td><td></td><td></td><td></td><td></td></tr>
</table></td></tr>
</table>

85. Disclosure of nature of security

Observation(s)	What should one remember?
In some cases, it was noted that the nature of security was not disclosed for all secured loans.	The requirement of Schedule III is: ‘The nature of security shall be specified separately in each case’ The nature of security should be disclosed in case of each loan from every source.

86. Borrowings

Observation(s)	What should one remember?
It was observed that where the company has borrowings from banks or financial institutions on the basis of security of current assets, adequate disclosures as per schedule III of companies act 2013 were not provided.	Whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts and if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.

87. Borrowings not used for specified purposes

Observation(s)	What should one remember?
It was noticed that if a company has taken borrowings from banks and financial institutions for specified purpose and not used for the purposes for which borrowings were obtained the same has to be disclosed as per schedule III of the Companies act, 2013	Where the Company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the Balance Sheet date, the Company shall disclose in notes to accounts the details of where they have been used.

88. Loan to Subsidiaries

Observation(s)	What should one remember?
It was observed that in case of certain companies' loans have been granted to three of the subsidiary companies, however the purpose for which such loans were given has not	As per Section 186(4) of companies Act 2013: "The company shall disclose to the members in the financial statement the full particulars of the loans given, investment made, or guarantee given, or security provided and the purpose for which the loan or guarantee or security is proposed

been disclosed by the company anywhere in the financial statements, hence the requirements of Section 186(4) have not been complied with in preparation and presentation of Financial Statement's.	to be utilized by the recipient of the loan or guarantee or security.

89. Loans and advances

Observation(s)	What should one remember?
In some cases, it was noticed that loans receivable were not bifurcated based on whether they are secured, unsecured, impaired etc.	Schedule III requires the following disclosures relating to loans receivables: • Loans Receivables considered good – Secured, • Loans Receivables considered good – Unsecured, • Loans Receivables which have significant increase in Credit Risk, and • Loans Receivables – credit impaired

90. Disclosures for Loans or advances granted to promoters, directors and the related parties

Observation(s)	What should one remember?
It was noticed that companies are required to give disclosures for loans or advances granted to the promoters, directors and the related parties while presenting their financial statement.	As per amendments made in Schedule III of the Companies Act, 2013 requires company to give disclosures where Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are: (a) repayable on demand or (b) without specifying any terms or period of repayment

<table>
<tr>
<td></td>
<td>Company required to mention:
<table>
<tr><td>Type of Borrower</td><td>Amount of loan or advance in the nature of loan outstanding</td><td>Percentage to the total Loans and Advances in the nature of loans</td></tr>
<tr><td>Promoter</td><td></td><td></td></tr>
<tr><td>Directors</td><td></td><td></td></tr>
<tr><td>KMPs</td><td></td><td></td></tr>
<tr><td>Related parties</td><td></td><td></td></tr>
</table>
</td>
</tr>
</table>

91. Contingent liabilities and commitments

<table>
<tr><th>Observation(s)</th><th>What should one remember?</th></tr>
<tr>
<td>It was noted that the disclosures made by the company for contingent liabilities and commitments is not in the format prescribed in Division II of Schedule III of Companies Act, 2013.</td>
<td>As per Division II, Schedule III of Companies Act, 2013 (point no. H “Contingent Liabilities and Commitments” of General Instructions for preparation of balance sheet) require,

H. Contingent Liabilities and Commitments: (to the extent not provided for)

(i) Contingent Liabilities shall be classified as-

(a) claims against the company not acknowledged as debt;

(b) guarantees excluding financial guarantees; and

(c) other money for which the company is contingently liable.</td>
</tr>
</table>

	(ii) Commitments shall be classified as- (a) estimated amount of contracts remaining to be executed on capital account and not provided for; (b) uncalled liability on shares and other investments partly paid; and (c) other commitments (specify nature).

92. Cryptocurrency or Virtual Currency

Observation(s)	What should one remember?
It was observed that organizations dealing in virtual currency fails to give appropriate disclosures as per amendment made in schedule III of the companies act 2013.	As per amendment made in Schedule III Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed: (a) profit or loss on transactions involving Crypto currency or Virtual Currency, (b) amount of currency held as at the reporting date (c) deposits or advances from any person for the purpose of trading or investing in Crypto Currency or virtual currency.

93. Details of Title deeds of Immovable Property not held in name of the Company

Observation(s)	What should one remember?
It was noticed that the company has not provided all the details for the Immovable property whose title deed is not in the name of the company as per amendment made in Schedule III of the	As per amendment made in Schedule III : The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favor of the lessee) whose title deeds are not held in the name of the company in format prescribed in the law

Companies Act, 2013 in the required format. Further, it was observed that companies have not disclosed the reason for the same, rather companies have disclosed the status as on reporting date for the same, for example, company has disclosed the following reason, "lease deed execution is under process".	and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share. The tabular format as prescribed should be followed for proper reporting. Further the company should provide the exact reason instead of disclosing the present situation in relation with the title deeds of these properties.

94. Capital-Work-in Progress (CWIP)

Observation(s)	What should one remember?
It was observed that companies failed to give appropriate disclosures for Capital- Work-In-Progress as per schedule III of the Companies act, 2013. Further, it was observed that companies have failed to disclose the reasons for projects whose completion is overdue or has exceeded its cost compared to its original plan.	As per Schedule III of the Companies act 2013 requires company to disclose CWIP aging schedule as an additional regulatory information in the format prescribed. Further the company should disclose the reasons if any projects has exceeded the cost or completion time in comparison to its original plan. If there is no project whose completion is overdue or has exceeded its cost compared to its original plan, then company should give positive affirmation in this regard in the notes to accounts as a best reporting practice.

95. Shareholding pattern of promoters

Observation(s)	What should one remember?
It was observed that in case of some company's promoters	As per general instructions for preparation of balance sheet given in Schedule III of the Companies Act, 2013 A company is required to

<table>
<tr>
<td>are holding shares in the company but the disclosure about shareholding pattern is missing.</td>
<td>disclose the shareholding pattern of the promoters with the following information:
<table>
<tr><td colspan="4">Shares held by promoters at the end of the year</td><td>% Change during the year</td></tr>
<tr><td>S. No</td><td>Promoter name</td><td>No. of Shares</td><td>%of total shares</td><td></td></tr>
<tr><td>Total</td><td></td><td></td><td></td><td></td></tr>
</table>
</td>
</tr>
</table>

96. Disclosure of Shareholding

Observation(s)	**What should one remember?**
It was observed that in some companies' stakeholder information is missing. Further Shareholding of the shareholder holding more than 5% of share not found.	As per Schedule III of Companies Act 2013, Number of shares held by each shareholder holding more than 5 percent shares in the company needs to be disclosed. Also, such shareholding pattern need to be disclosed on the website of the company as per Regulation 46 of SEBI Listing (Obligations and Disclosure Requirements) Regulations 2015.

97. Disclosure of Ratios

Observation(s)	**What should one remember?**
1. It was observed that in many cases following ratios were not disclosed like Gross Profit ratio, Price earnings ratio, Trade payable ratio, trade receivable ratio, Debt equity ratio, return on capital employed etc.	1. Ratio analysis compares line-item data from a company's financial statements to reveal insights regarding profitability, liquidity, operational efficiency, and solvency. Ratio analysis can mark how a company is performing over time, while comparing a company to another within the same industry or sector. An entity must disclose mandatory ratio of Schedule III and CARO 2020 along with

	other ratios like Gross profit ratio, Price Earnings Ratio, EBDITA, Debt Equity Ratio, Return on Capital Employed etc. and explanatory statements should be given by management with brief comparative analysis for better understanding and reporting.
2. It was observed in some companies they did not provide the formulae of ratios or the formulas given are incorrect.	2. As per Annexure B of GUIDANCE NOTE ON DIVISION II - IND AS SCHEDULE III TO THE COMPANIES ACT, 2013 ((Revised January, 2022 Edition), entity should disclose the following along with ratios: • Description of formulae • Reasons for variations in comparative analysis should be provided wherever change is more than 25%. Further as an excellence practice, the entity can provide even at places where there is no regulatory requirement.

98. Revaluation of property

Observation(s)	What should one remember?
It was observed that organisations failed to give the disclosure regarding reconciliation of gross and net carrying amount of both intangible and tangible assets at the beginning and end of the reporting period.	As per Schedule III of the Companies Act, 2013 The reconciliation of gross and net carrying amount of both intangible and tangible assets at the beginning and end of the reporting period, along with other separate disclosures related to additions, disposals, acquisitions through business combinations, depreciation, impairment, reversal etc. The company is required to disclose amount of change due to revaluation, where there is a change of at least 10% in aggregate of the net carrying amount of each class of the asset.

99. Trade Payables ageing schedule

<table>
<tr><th>Observation(s)</th><th>What should one remember?</th></tr>
<tr>
<td>1. It was noticed that some companies failed to give trade payables ageing schedule which is required as per Schedule III of the Companies act, 2013.

2. In another case, it was noticed classification given in below format:
Classification presented by company:
(a) MSME
(b) Others
• Acceptance
• Other than acceptance
(c) Disputed dues – Others
(d) Accrued expenses</td>
<td>1. As per schedule III of the Companies Act, 2013 requires the company to provide ageing of trade payables due for payment as on the balance sheet date.
<table>
<tr><td>Particulars</td><td colspan="4">Outstanding for following periods from due date of payment</td><td>Total</td></tr>
<tr><td></td><td><1 Year</td><td>1-2 Years</td><td>2-3 Years</td><td>>3 Years</td><td></td></tr>
<tr><td>MSME</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Others</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Disputed dues – MSME</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Disputed dues - Others</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>
It shall be provided for all trade payable due for payment whether or not the due date of payment is specified on the bill. In such case, date of the transaction shall be used.
2. Classification prescribed in Schedule III:
• MSME
• Others
• Disputed dues- MSME
• Disputed dues-Others</td>
</tr>
</table>

100. Trade Receivables ageing schedule

Observation(s)	What should one remember?
1. It was noticed that companies failed to give	1. As per schedule III of the Companies Act 2013 companies are required to give

trade receivables ageing schedule which is required as per Schedule III of the Companies act, 2013.	disclosure for trade receivables outstanding. The ageing schedule of trade receivables shall be provided in the form of less than 6 months, 6 months-1 year, 1–2-years, 2-3 years and more than 3 years for • Undisputed Trade Receivables – considered doubtful • Undisputed Trade Receivables – which have significant increase in credit risk • Undisputed Trade Receivables – credit impaired • Disputed Trade Receivables- considered good • Disputed Trade Receivables – which have significant increase in credit risk • Disputed Trade Receivables– credit impaired Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction and Unbilled dues shall be disclosed separately.
2. It was noted in another case, that the company has presented the trade receivables ageing schedule, but it is not mentioned whether it has been prepared on the basis of due date of payment or date of transaction.	2. As per Division II of Schedule III of Companies Act, 2013, trade receivables ageing schedule is to be presented on the basis of due date of payment. In case, where due date of payment is not specified, separate ageing schedule to be presented on the basis of date of the transaction. In the given case, the company should have specified the date of ageing considered.

101. Basis of ageing schedule for Trade Receivables and Trade Payables

Observation(s)	What should one remember?
It was observed that the company has disclosed the trade receivables and trade payables ageing schedule from the date of transaction. It indicates that the due date of payment is not specified in none of the invoices, which does not seem to be realistic.	As per Division II of Schedule III of Companies Act, 2013, trade receivables and trade payables ageing schedule is to be presented on the basis of due date of payment and where due date of payment is not specified, disclosure shall be from date of the transaction. Company should present the ageing schedule in two parts i.e. where due date of payment is specified, ageing on the basis of due date of payment and where due date of payment is not specified, ageing on the basis of date of transaction to comply with the provisions of Companies Act, 2013.

102. Relationship with Struck off Companies

Observation(s)	What should one remember?
It was noted that company has entered into the transactions with companies struck off under section 248 of the companies act 2013 and failed to give the required disclosures as per schedule III.	As per schedule III of the Companies Act 2013. Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details: - 1. Name of struck off Company 2. Nature of transactions with struck-off Company 3. Balance outstanding 4. Relationship with the Struck off company, if any, to be disclosed

103. Investor Education and Protection Fund

Observation(s)	What should one remember?
It was noticed in some cases that there is a delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.	As per Section 124(5) of Companies Act, 2013, Any money transferred to the Unpaid Dividend Account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company along with interest accrued, if any, thereon to the IEPF Fund established under Section 125(1) and the company shall send a statement in the prescribed form of the details of such transfer to the authority which administers the said Fund and that authority shall issue a receipt to the company as evidence of such transfer. Further, as per Section 124(6) of Companies Act, 2013, All shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the company in the name of Investor Education and Protection Fund along with a statement containing such details as may be prescribed.

104. Consistency of Information

Observation(s)	What should one remember?
It was observed, on one hand, company is disclosing that the borrowings are unsecured and on the other hand, company has disclosed in the notes that it is secured and charges	It is confusing for the stakeholders if consistency is not maintained across the financial statements and the other parts of the annual report.

information is given as follows: In the notes of borrowings, company has presented the "Short-term loan from banks (Unsecured)". Whereas, in the notes, company has disclosed that the "for secured loans, charges created by way of ….".	

105. Impact of amendments in accounting standards

Observation(s)	What should one remember?
On March 31, 2023, Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendment Rules, 2023 which have amended certain existing standards. Company has disclosed this under the heading 'Recent Pronouncements' and have mentioned that 'The company is evaluating impact of above amendments in its financial statements'.	The Company has mentioned it is evaluating the impact of such amendments. In place, the company should analyse the impact of such pronouncements till the approval of financial statements and should describe the impact thereof in the annual report. Further, if the company concludes that there is no significant impact of such amendments on its financial statements, then the company should specifically disclose it. Illustrative disclosure is as follows: "Based on preliminary assessment, the Company does not expect these amendments to have any significant impact on its standalone financial statements."

106. Cross Referencing

Observation(s)	What should one remember?
It was noticed that cross reference to the notes to	• Cross-referencing avoids unnecessary repetition; and demonstrates the

accounts were not given in some cases, which makes it difficult to understand whether the related disclosures are made.	cohesion of the work as a whole. • In both printed and online, cross-referencing are important because they form a network structure of relations existing between different parts of data.

107. Rounding Off

Observation(s)	What should one remember?
• In some cases, it was observed that the financial statements did not include any reference regarding 'rounding off' adopted by the company (For example, Rs. in '00s, '000s, etc) • Further, in some cases, it was observed that different rounding off was adopted in different places (For example, the figures were rounded off to millions in balance sheet and statement of profit and loss, but there was no rounding off at all in the notes	The specific rule for rounding off as per Schedule III based on 'Total Income' is: • Less than Rs.100 crore: to the nearest hundreds, thousands, lakhs or millions, or decimals thereof • Rs.100 crore or more: to the nearest lakhs, millions or crores, or decimals thereof Once a unit of measurement is used, it should be used uniformly in the Financial Statements Mention the rounding off convention adopted – at the beginning or on each page of the balance sheet, statement of profit and loss, statement of cash flows and other notes (For example, Rs. in hundreds, Rs.'000s, etc.). It could be placed at the top right-hand corner of the page. Ensure consistency across the financial statements and the other parts of the annual report. Where the numbers to be disclosed are smaller than the rounding off adopted by the company, the best practice may be to lower the level of rounding off to that of material items.

108. Disclosure of registered valuer as per Companies Act, 2013

Observation(s)	What should one remember?
It has been noted that, in certain instances where valuation is necessary, there is a lack of disclosure regarding whether the valuer engaged is a registered valuer or not in terms of Companies Act, 2013.	As per Section 247(1) of the Companies Act 2013, "Where a valuation is required to be made in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the provision of this Act, it shall be valued by a person having such qualifications and experience, registered as a valuer and being a member of an organization recognized, in such manner, on such terms and conditions as may be prescribed and appointed by the audit committee or in its absence by the Board of Directors of that company." Stating this that the valuer is registered in terms of companies Act, 2013, that will add value to the level of credibility.

109. Disclosure of Investment made in Subsidiaries and/ Joint venture or Associates

Observation(s)	What should one remember?
It was noted that the company has disclosed the 'Investment in Subsidiaries and Associates' separately from the 'Financial Assets' on the face of balance sheet.	As per the Division II of Schedule III of Companies Act, 2013, investment in subsidiaries, associates, joint ventures or structured entities shall be presented under the sub-head 'Investments' of head 'Financial Assets'

110. Nomenclature for presentation of Quarterly Results

Observation(s)	What should one remember?
1. It was observed that the company has used incorrect nomenclature in the presentation of quarterly results. The nomenclature used was 'Statement of Unaudited Standalone Financial Results' instead of 'Statement of Profit and Loss' and 'Statement of Unaudited Standalone Assets and Liabilities' instead of 'Balance Sheet'.	1. SEBI vide circular CIR/CFD/FAC/62/2016 dated July 05, 2016 have stated that the formats for Unaudited/Audited quarterly financial results i.e. Statement of Profit and Loss and the Unaudited/Audited Half Yearly Balance Sheet to be submitted by the Listed Entities, with the stock exchanges, shall be as per the formats for Balance Sheet and Statement of Profit and Loss (excluding notes and detailed sub-classification) as prescribed in Schedule III to the Companies Act, 2013.
2. It was noted that the company have used the incorrect nomenclature i.e., 'Cash Flow Statement' instead of 'Statement of Cash Flows'.	2. As per Regulation 33(3)(g) of SEBI LODR, "The listed entity shall also submit as part of its standalone and consolidated financial results for the half year, by way of a note, statement of cash flows for the half-year."

111. The Code on Social Security, 2020

Observation(s)	What should one remember?
It was observed that the organizations fail to give disclosure with respect to the recent pronouncements made in Code on Social Security 2020. Although it is not mandatory but can be considered as a good reporting practice.	• Social security means the measures of protection afforded to employees, inclusive of unorganized workers, gig workers and platform workers to ensure access to health care and to provide income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a breadwinner by means of rights conferred on them and schemes framed, under the Code on

	Social Security, 2020 • The Code on Social Security ,2020 subsumes nine central labour legislations.ie., The Employees' Compensation Act, 1923, The Employees' State Insurance Act, 1948,The Employees' Provident Funds and Miscellaneous Provisions Act, 1952, The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959, The Maternity Benefit Act, 1961, The Payment of Gratuity Act, 1972, The Cine Workers Welfare Fund Act, 1981, The Building and Other Construction Workers Welfare Cess Act, 1996 and the Unorganized Workers' Social Security Act 2008. • The objective of the Code on Social Security, 2020 is to amend and consolidate the existing labour laws relating to social security with the wider goal of extending social security benefits to all employees and workers irrespective of belonging to the organised or unorganised sector. The Code on Social Security, 2020 brings, within itself the self-employed workers, home workers, wage workers, migrant workers, the workers in the unorganised sector, gig workers and platform workers for the purpose of social security schemes, including life insurance and disability insurance, health and maternity benefits, provident fund.

PART II-
Non-Financial Information

112. Statement on Vision and Mission

Observation(s)	What should one remember?
It was observed that sometimes companies failed to give vision and mission statements or a general statement is provided on vision and mission statement .	A Mission Statement defines the company's business, its objectives, and its approach to reaching those objectives. A Vision Statement describes the desired future position of the company. It provides stakeholders about company's purposes, goals and values which adds value and considered a good reporting practice.

113. Strategic Objectives

Observation(s)	What should one remember?
It was observed that some entities has not presented the strategic objectives adequately.	Strategic objectives of the organization should be aligned with organization's vision and mission. While presenting the strategic objectives, following should also be included: • Focus areas that defines the strategic objective • KPIs to measure the achievement against strategic objectives • Goals of the organization against the KPIs

114. Organization and Group Structure

Observation(s)	What should one remember?
It was observed that the	Organization/ governing structure defines

entities have not presented the organization and group structure in the annual report.	the hierarchy of management in the organization and group structure provides the overview of relationships among group entities. Since the shareholders do not participate in routine business activities, it is important for them to know about the workflow of managerial decisions and group entities. Therefore, entity should present the governing structure and group structure in the chart form for better presentation.

115. Management discussion & analysis

Observation(s)	What should one remember?
It was observed that sometimes companies have not provided sufficient information under Management discussion & analysis section which is a very relevant part from stakeholder's perspective. Further, it was observed that if the companies have provided the information in other sections of the report which was required to be provided in MD&A section, companies have not provided the same information in MD&A section and neither any cross referencing is given in the MD&A section, for example, risk and concerns information was given only	As per Regulation 34(2)(e) of SEBI (Listing Obligations & Disclosure Requirements), 2015, The annual report shall contain the management discussion and analysis report – either as a part of directors report or addition thereto. Further, Regulation 34(3) states that the annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations. Para B of Schedule V stipulates the matters which should be part of MD&A section such as Industry structure and developments, Outlook, Internal control systems and their adequacy, Risks and concerns, etc. Therefore, the listed entities should cover all the matters in MD&A section as

under the integrated reporting.	required under SEBI (LODR). Nowadays, entities are providing number of non-financial information contained in integrated reporting, sustainability reporting or any other additional information, due to which various information required to be provided in MD&A section are reported in these additional information sections. However, it should be noted that the reporting of MD&A section is a statutory requirement by virtue of SEBI (LODR). Therefore, companies are required to provide the information in MD&A section irrespective of the fact that the information is provided in any other section. If the required information is already provided in any other section, then company may give cross-referencing of such information in MD&A section.

116. Board Report

Observation(s)	What should one remember?
It was noticed that companies are not disclosing some of the relevant information i.e., the disclosure which is required by law while preparing and presenting their annual report.	Following disclosures are required in Board's Report as per Section 134(3) of Companies Act, 2013: a) the web address, if any, where annual return referred to in sec. 92(3) has been placed b) number of meetings of board c) director's responsibility statement d) details in respect of frauds reported by auditors under sec. 143(12) other than those which are reportable to the central government e) statement on declaration given by independent director under section

	149(6) f) company's policy on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence, of a director and other matters provided under sec. 178(3) g) explanations or comments by the board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report and by the company secretary in practice in his secretarial audit report h) particulars of loan, guarantees or investments under section 186 i) particulars of contracts or arrangements with related parties referred to in sec. 188(1) in the prescribed form j) the state of the company's affairs k) the amounts, if any, which it proposes to carry to any reserves l) the amount, if any, which it recommends should be paid by way of dividend m) material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report n) the conservation of energy, technology absorption, foreign exchange earnings and outgo o) a statement indicating development

	and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company p) the details about the policy developed and implemented by the company incorporate social responsibility initiatives taken during the year q) in case of a listed company and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which formal annual evaluation of the performance of the Board, its Committees and of individual directors has been made Other Disclosures required under the Companies Act, 2013: a) Appointment of independent director b) Disqualification of Director under section 164 c) Change in the composition of the Board d) Redemption of shares/debentures e) Disclosure about the composition of audit committee under section 177(8) and also the recommendation of audit committee f) Details of establishment of vigil mechanism [section 177(9)]. g) Policies by the nomination and remuneration committee h) Secretarial report given by a company secretary in practice.

117. Credit Rating in Board of Directors Report

Observation(s)	What should one remember?
It was observed that in some companies no Credit rating was given in the annual report or comparative presentation of credit rating facility wise was not provided.	As per SS-4, the disclosure shall include the following: (a) credit rating obtained in respect of various securities; (b) name of the credit rating agency; (c) date on which the credit rating was obtained; (d) revision in the credit rating; (e) reasons provided by the rating agency for a downward revision, if any. However, the scope of the standard allows recommendatory compliance. Credit ratings can be considered a reflection of a company's financial health and stability. As such, they can positively influence various aspects of best reporting practices, including stakeholder trust, access to capital, regulatory relationships, and the overall market perception of the organization. Therefore, as a best reporting practice, disclosure of credit rating facility wise with comparative statement should be part of the annual report

118. Chairman's Statement/Speech

Observation(s)	What should one remember?
It was observed that some of the organizations are not providing Chairman's statement which is an important part to know	Following should be part of an ideal Chairman's speech: • Corporate activities, strategies, research, labour relations, main achievements, focuses on future

organization's performance or in case provided it do not contain adequate information such as forward-looking statement and details on future outlook.	goals, growth etc. • Statement relating to corporate ethics, values and risk management. • Highlights of financial results. • Comments in case of qualification, reservation or adverse remark or disclaimer in auditors' report and secretarial audit report. • Any other important information

119. Contribution to national exchequer

Observation(s)	What should one remember?
It was observed that companies have not provided details about "Contribution to national exchequer" details in chairman's speech/director's report.	Corporate contributions to national exchequer is significant in terms of payment of excise duties, income tax and other rates and taxes to the government as India's goal of becoming a $5 trillion economy, with a contribution of $3 trillion and over $1 trillion from the services and manufacturing sector respectively, requires accelerated investments from the companies.

120. Risk Management and Mitigation measures

Observation(s)	What should one remember?
1. It was observed that the organizations have not disclosed the risk management framework appropriately.	Risk mitigation is a strategy to prepare for and lessen the effects of threats faced by a business. Risk mitigation takes steps to reduce the negative effects of threats and disasters on business continuity (BC). 1. The risk management system should be dealt with in great details and depth explaining the plans, categorization, and mechanism that the company is undertaking for the purpose of risk

	management on various levels and even assigning risk owners. Entity should disclose the comprehensive risk management framework including following: • Role of Board and Committees • Process to identify the various principal risks • Criteria to adjudge relevant risks for the organization • Description of risks identified (including impact of such risk) and mitigation process & measures • Co-relation of risk management framework with integrated reporting
2. Further, it was noted that the organizations has not disclosed about the benchmark/ standard adopted for risk management framework.	2. The entity should specify the standard risk management framework, ithas adopted/benchmarked in company's RMF, for example, GRCA 2.0, COSO 2017.
3. Further, it was noted that the risk management framework defined in the annual report was not in alignment with the risk management policy, for example, the risks identified in the annual report were not given in the risk management policy.	3. Entities are required to publish their risk management policy on their website. Entity should ensure that the risk management framework has been prepared in alignment with the risk management policy published on the website.

121. Human Resource policies

Observation(s)	What should one remember?
It was observed that organizations failed to give appropriate description of the company's policy relating to human resource engagement, training, development, information on measures taken by the company to meet its obligations and responsibilities towards employees.	The implementation of strong HR policies can help an organization demonstrate, both internally and externally, that it meets the requirements for diversity, ethics, and training required in today's workplace, and meets its commitments regarding regulation and corporate governance of employees. HR policies set out obligations, standards of behavior and document disciplinary procedures (among many other things). Their specific function can vary widely, including but not limited to: • Providing clear communication between an organization and its employees regarding their condition of employment • Forming a basis for treating all employees fairly and equally. • Communicating the organization's goals and values. • Creating a common and healthy working environment. An organization should have the following HR Policies for better functioning and increase in productivity of the organization: At-Will Employment Policy, Anti-Harassment and Non-Discrimination Policy, Sexual Harassment Policy, Employment Classifications Policy, Leave and Time-Off Benefits Policy, Meal and Break Periods Policy, Timekeeping and Pay Policy, Safety and Health Policy, Employee Conduct, Attendance, and Punctuality Policy.

122. Internal Control System

Observation(s)	What should one remember?
It was observed that the entities have not adequately presented the steps taken to maintain the credibility of internal control system.	Entity should provide the information about the steps taken to maintain the credibility of internal control system such as • Effectiveness of standard operating procedures and risk control matrix • Audit of various functions by the third party etc.

123. Information systems audit

Observation(s)	What should one remember?
It was observed that organizations to whom Information system audit is applicable failed to give disclosure whether Information system audit is carried or not.	• IS audit being a systematic process of objectively obtaining and evaluating evidence/ information regarding the proper implementation, operation and control of information and the Information System resources. IS audit could be considered a part of Financial Audit. The lack of physical procedures, which can be easily verified and evaluated, injects a high degree of complexity into IS audit. Therefore, a logical framework for conducting an audit in the IT environment is critical to help the auditor identify all important processes and data files. • IS Audit being one of the major controls for monitoring management activities in the banks and financial institutions. In a computerized environment, IS audit is a very effective and necessary activity.

	Usually, the IT implementation in the banking and financial organizations is done by adopting a mix of different methodologies – internal development and deployment and third-party product development and deployment. • In case of internally developed and deployed IT systems, IS audit will require to be done by a team of specially trained internal or external auditors. However, it is preferable to have the IS audit conducted with the help of suitable external agencies with the required skills and expertise to ensure the independent nature of audit. • In the case of development and deployment of the IT systems by third parties, the IS audit requires to be conducted by trusted auditor/s with skills and expertise, required for the purpose. IS audit assuming greater significance because a large number of critical and strategic financial operations in the banking and financial sector are wholly or partly being handled by the computerized systems.

124. CSR – Impact Assessment Report

Observation(s)	What should one remember?
1. It was observed that some entities not carried out an impact assessment of CSR initiatives through any	1. Since the entities are spending money on corporate social responsibility, it is important for the stakeholders to know about the impact created by entity through CSR initiatives and whether the entity is

third party or independent agency.	achieving its CSR goals or not. As per Rule 8(3)(a) of The Companies (Corporate Social Responsibility Policy) Rules, 2014, Every company having average CSR obligation of ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study. So, companies whose average CSR obligation is ten crore rupees or more in three immediately preceding financial years are required to undertake the impact assessment for all those projects having outlay of one crore rupees or more and which have completed at least one year before undertaking the impact study. It is to be noted that the impact assessment study to be undertaken project-wise. However, for remaining projects, the company may voluntarily undertake the impact assessment study. Further, companies which are not covered under the above-mentioned rule should undertake the impact assessment study of CSR projects as the best governance practice so that users can better understand the impact created for the society by the company through CSR projects. The impact assessment report should be

	annexed in annual report or the company may provide the website link of impact assessment report in the annual report.
2. In some cases, it was observed that for the current year no assessment undertaken, but previous years report link is given.	2. The impact assessment report for the current year is required under the above-mentioned rules. Therefore, company should provide the impact assessment report of the current year.

125. Corporate Social responsibility

Observation(s)	What should one remember?
1. In was noticed that the CSR expenditure of companies are not presented appropriately like usage of infographics is missing	1. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Accordingly, the proper disclosure of the same at relevant places is must for the stakeholders information purpose. As a good disclosure, the information of total CSR expenditure during the year can be given in MD&A section of the annual report..
2. Disclosures as per Sec 135 of the Companies Act, 2013 were not adequate. It was observed that some companies not disclosing reason for shortfall, nature of CSR activities etc.	2. As per Section 135 of the Companies Act, 2013, Schedule VII of the Act and Companies (CSR Policy) Rules, 2014 As per Schedule III, Where the company covered under section 135 of the companies act, the following shall be disclosed with regard to CSR activities:- (a) amount required to be spent by the company during the year, (b) amount of expenditure incurred, (c) shortfall at the end of the year, (d) total of previous years shortfall, (e) reason for shortfall,

	(f) nature of CSR activities, (g) details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard, (h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.

126. Corporate Governance Report

Observation(s)	What should one remember?
It was observed that the companies at large fail to report the information required to be disclosed in the corporate governance report.	Corporate governance report includes • a statement of corporate governance procedures and compliance, • information on board composition, • statements on the company's performance, and • information about compliance and conformance with best practices • It should also disclose the principles and codes that guide the company's procedures. • Information about committees and sub-committees, their roles and any delegated powers and duties for good corporate governance.

127. Corporate Governance Compliance Certificate

Observation(s)	What should one remember?
It was observed that the organizations fail to obtain	As per Para E of Scheule V of Securities and Exchange Board of India (Listing

Corporate Governance Compliance Certificate which is to be attached along with corporate governance report in the annual report.	Obligations and Disclosure Requirements) Regulations, 2015, Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance shall be annexed with the directors' report.

128. Date of Audit Committee Meetings

Observation(s)	What should one remember?
It was noted that the company has disclosed the number of meetings of audit committee, however the date of meetings were not disclosed.	Regulation 34(3) of SEBI LODR states that "The annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations." Part C of Schedule V states the requirement of additional disclosures in the corporate governance section of the annual report. Following disclosures are required for Audit Committee: (a) brief description of terms of reference; (b) composition, name of members and chairperson; (c) meetings and attendance during the year.

129. Composition of Directors as per SEBI LODR

Observation(s)	What should one remember?
1. It was observed in case of financial service sector entities that company has not complied with the mentioned provision.	1. As per Regulation 17(1)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the composition of board of directors of the listed entity shall be as follows: board of

2. In case of public sector entities, it was observed that company has not complied with the requirement of having at least half of the Board of Directors as independent.	directors shall have an optimum combination of executive and non-executive directors with at least one-woman director. 2. As per Regulation 17 (1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, "where the chairperson of the board of directors is a non-executive director, at least one-third of the board of directors shall comprise of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors:" Provided that where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors."

130. Compliance with the Ethics & Business Conduct for Board & Senior Management

Observation(s)	What should one remember?
It was observed in some companies that CEO declaration on compliance with the Ethics & Business Conduct for Board & Senior Management is not found.	As per Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the annual report shall contain the following additional disclosures: Declaration signed by the chief executive

	officer stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management.

131. Shares held by Directors & their Relatives

Observation(s)	What should one remember?
It was observed that some entities have not disclosed the shares held by their directors & specifically relative of theirs.	As per good reporting practice, the "Shares Held by Directors & their relatives" should be disclosed for greater transparency & as a good corporate governance measure.

132. Investors Presentation

Observation(s)	What should one remember?
1. It has been observed that companies are not publishing the investor's presentation on the website and not making the adequate disclosures to stock exchange(s).	1. As per amendment made in SEBI (LODR) (Second Amendment) Regulations, 2023 w.e.f 15th July, 2023, the regulation 46(2)(o) of SEBI (LODR), 2015 states that the listed entity shall disseminate the schedule of analysts or institutional investors meet at least two working days in advance (excluding the date of the intimation and the date of the meet) and presentations made by the listed entity to analysts or institutional investors on its website. Further, Para A(15) of Part A of Schedule III of SEBI (LODR) states that the listed entity shall make the following disclosures to stock exchange(s) without any application of guidelines of materiality as specified in regulation 30(4): • Schedule of analysts or institutional

	investors meet 436[at least two working days in advance (excluding the date of the intimation and the date of the meet)] and presentations made by the listed entity to analysts or institutional investors. • Audio or video recordings and transcripts of post earnings/quarterly calls, by whatever name called, conducted physically or through digital means, simultaneously with submission to the recognized stock exchange(s), in the following manner: ➢ the presentation and the audio/video recordings shall be promptly made available on the website and in any case, before the next trading day or within twenty-four hours from the conclusion of such calls, whichever is earlier. ➢ the transcripts of such calls shall be made available on the website within five working days of the conclusion of such calls.
2. In another case, it was observed that the company's have not covered all the aspects in the investor' presentation such as impact made on the ESG components or management commentary.	2. Companies should prepare their quarterly highlights in a presentation format to effectively communicate the performance of the business to stakeholders. As listed entities are disclosing their quarterly results in line with the requirements of SEBI (LODR), so presenting quarterly highlights in easily understandable format becomes important for them. Further, Regulation 4(1)(j) of SEBI (LODR), 2015 states that Periodic filings,

	reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity. Therefore, following should be covered in investors presentation: • the current picture of the company • track record (for a significant period, say 10 years) on the standalone and consolidated basis • financial highlights (standalone and consolidated) including comparison over the periods • statement of assets and liabilities • debtors and creditors position • key ratios (such as EPS, dividend yield, PE ration, market capitalization, debt equity ratio) • major highlights for the period • steps taken towards sustainability and its impact • management commentary
3. In some cases, it was observed that companies are not disclosing the investors presentation in the annual report.	3. Para C (8) of Schedule V of SEBI (LODR), 2015 prescribes the additional disclosures with respect to 'Means of Communications' in corporate governance section of the annual report. It prescribes presentations made to institutional investors or to analysts as one of the essential means of communication.

133. Value Creation Model

Observation(s)	What should one remember?
It was observed that the value creation model is not presented adequately.	Value creation model provides an insight about the organization's business model and how it transforms the inputs into outputs through the organization's operating activities. As per IIRC framework recommended for integrated reporting by SEBI through its circular no. SEBI/HO/CFD/CMD/CIR/P/2017/10 dated Feb 06, 2017, six forms of capitals are categorized which help the organization in creating value. For the better understating of value creation model, following is expected in the diagram of value creation model: • Inputs of each capital • Value creation process of each capital which transforms the inputs into outputs • Outputs/ outcomes from each capital • Key products or services • Risk addressed in each capital • Impact on sustainable development goals

134. Integrated Reporting

Observation(s)	What should one remember?
It was observed that today an investor seeks both financial as well as non-financial information to take	• An integrated report aims to provide concise communication about how an organization's strategy, governance, performance, and prospects create value

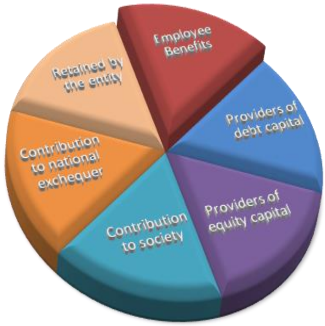
well-informed investment decisions. Organizations can use integrated reporting to communicate clearly and concisely about how its strategy, governance, performance, and prospects – in the context of its external environment – lead to the creation, preservation, or erosion of value over time. However, in many cases it was observed that the annual reports presented as integrated annual report are non-compliant with IIRC framework requirements such as non-disclosure of Six capitals. Further, it was noted the companies have considered only the ESG areas while presenting the materiality matrix. In other cases, the companies are not providing the materiality matrix. Further, it was noted that the inputs and outputs of six capitals were not appropriately quantified, and six capitals were not linked with the entity's business model.	over time. • The purpose of integrated reporting is to provide shareholders and interested stakeholders with relevant information that is useful for making investment decisions. • In this regard the International Integrated Reporting Council (IIRC) has prescribed following Guiding Principles which underpin the preparation of an integrated report, specifying the content of the report and how information is to be presented: (a) Strategic focus and Future Orientation: An integrated report should provide insight into the organization's strategy and how it relates to the organization's ability to create value in the short, medium, and long term, and to its use of and effects on capital. (b) Connectivity of information: An integrated report should show a holistic picture of the combination of interrelatedness and dependencies between the factors that affect the organization's ability to create value over time. (c) Stakeholder relationships: An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands takes into account and responds to their legitimate needs and interests. (d) Materiality: An integrated report should disclose information about

	matters that substantively affect the organization's ability to create value over the short, medium, and long term. (e) Conciseness: An integrated report should be concise. (f) Reliability and completeness: An integrated report should include all material matters, both positive and negative, in a balanced way and without material error. (g) Consistency and comparability: The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (h) (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time. • All organizations depend on various forms of capitals for their success. It is important that all such forms of capital are disclosed to stakeholders to enable informed decisions making. IIRC has categorized the forms of capital as follows: 1. Financial capital 2. Manufactured capital 3. Intellectual capital 4. Human capital 5. Social and Relationship capital 6. Natural capital In view of Integrated Reporting Framework prescribed by the International Integrated Reporting Council (IIRC) as recommended by SEBI vide its Circular No. SEBI/HO/CFD/CMD/CIR/P/2017/10 dated

	Feb 06, 2017, entity should cover all the material topics (financial and non-financial including ESG) while presenting the materiality matrix. For a business, material topics may be of financial in nature or non-financial in nature. Entity have to prioritize key internal and external stakeholders with the most impact and influence on the business. Entity should quantify the inputs and outputs of each capital to make it easier to understand the resources used in the value creation process and what value has been created. For example, in the manufactured capital, inputs may be number of plants, investments in capex, etc. and output may be units of production.

135. Value added statement

Observation(s)	What should one remember?
It was observed that no value-added statement is prepared as statement reflects the income of the company as an entity and how that is divided between the people who have contributed to its creation.	The very purpose of preparing Value added statement is to give a true & fair picture of entity's earning and its distribution to its interest groups i.e., providers of debt, employee benefits, providers of equity capital, contribution to society, , contribution to national exchequer and retained by the entity. The illustrative pictorial presentation is given as below:

<table>
<tr><td></td><td>
</td></tr>
</table>

136. Performance Analysis for past years

<table>
<tr><th>Observation(s)</th><th>What should one remember?</th></tr>
<tr><td>It was observed that companies are not presenting performance analysis for past years as they act as tools for both corporate insiders (like management and board members) and outsiders (like research analysts and investors) to analyze how well the company is doing—especially regarding competitors—and identify where strengths and weaknesses lie.</td><td> A company's financial performance tells investors about its general well-being. It's a snapshot of its economic health and the job its management is doing—providing insight into the future: whether its operations and profits are on track to grow and the outlook for its stock. A financial performance analysis examines the company at a specific period—usually, the most recent fiscal quarter or year. Financial performance analysis can focus on different areas. Types of analysis can include a specific examination of a firm: Working capital: the difference between a company's current assets, such as cash, accounts receivable (customers' unpaid bills), and inventories of raw materials and finished goods, and its current liabilities</td></tr>
</table>

	• Financial structure: the mix of debt and equity that a company uses to finance its operations • Activity analysis: the factors involved in the cost and pricing of goods and services • Profitability analysis: how much money the business clears, after expenses and taxes

137. orizontal/Vertical Analysis

Observation(s)	What should one remember?
It was observed from the annual reports of various entities that companies are not presenting their financial information in the form of horizontal/ vertical analysis which enables the stakeholders to spot the changes in account balances.	• Horizontal analysis is a financial analysis technique used to evaluate a company's performance over time. By comparing prior-period financial results with more current financial results, a company is better able to spot the direction of change in account balances and the magnitude in which that change has occurred. • Horizontal analysis, also known as trend analysis, is used to spot financial trends over a specific number of accounting periods. Horizontal analysis can be used with an income statement or a balance sheet. • Vertical analysis is a method of financial statement analysis in which each line item is listed as a percentage of a base figure within the statement. Vertical analysis is focused on the relationships between the numbers in a single reporting period, while horizontal analysis spans multiple reporting periods. As a best reporting practice, entity should present the horizontal and vertical analysis for at least 5 years.

138. Sustainability Reporting

Observation(s)	What should one remember?
o In sustainability reporting, following were observed: o Entities have failed to disclose the entity's approach towards sustainability reporting o Sustainability reporting lacked integration with Integrated reporting. Information was presented in a subjective manner rather than an objective one, and in certain reports, data from the corresponding previous year was not included in the sustainability reporting.	In the current scenario, there is an increased focus of investors and other stakeholders seeking businesses to be responsible and sustainable towards the environment and society, so as a good governance practice, entities should present the sustainability report in the annual report such as BRSR, ESG, etc. In India, SEBI through a notification No. SEBI/LAD-NRO/GN/2021/22 dated 5th May, 2021 has made amendments to certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR). Among various amendments, one relates to discontinuance of the requirement of submitting Business Responsibility Report (BRR) by listed companies after FY2021-22. As per the notification, companies would be required to submit a new report on ESG parameters, namely Business Responsibility and Sustainability Report (BRSR) in the following manner: o Mandatory from FY2022-23: For top 1,000 listed entities by market capitalization o Voluntary for FY2021-22: For top 1,000 listed entities by market capitalization o Voluntary for remaining listed entities including the entities which have listed their specified securities on the

	SME Exchange Additionally, SEBI vide Circular SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated May 10, 2021 prescribed the format of the BRSR along with the guidance note to enable the companies to interpret the scope of disclosures required to be made in the report. 1. In pursuance of regulatory requirement, entities are disclosing BRSR in three sections, namely, General Disclosure, Management and Process Disclosures and Principle wise Performance Disclosure. Along with it, entity should also disclose the entity's approach towards sustainability in all the three sections which will enables the stakeholders to understand better about entity's commitment towards the sustainability. 2. Since entities are presenting Integrated reporting as well as Sustainability reporting, entity should present the interlinkage amongst them such as impact of sustainability on six forms of capital, materiality and stakeholders. Further, entity should provide the information in quantifiable form in sustainability reporting along with corresponding previous year figures which will enables the stakeholders to better assess the steps taken towards the sustainability and its impact. It is important to note that as a best reporting practice and in line with the global benchmark, entity should provide

	the disclosures in line with the requirements of IFRS S1 and S2 (effective from 1st January 2024) for qualitative sustainability reporting.

139. Index of the annual report

Observation(s)	What should one remember?
It was observed that the company has not provided the hyperlinking of index to the main sections of report.	For easy navigation and convenient dragging, company should provide hyperlinking of index to the main sections of the report.

140. Colour scheme

Observation(s)	What should one remember?
It was observed that there is no colour differentiation adopted by the companies while their standalone and consolidated financial statements.	While presenting standalone and consolidated financial statements companies should adopt a different color scheme, so that user can easily identify the changes.

141. More use of Graphs, Charts etc.

Observation(s)	What should one remember?
It was noticed that the companies while presenting their financial information in the annual report are not giving emphasis on graphical presentation.	• Graphs, charts and tables in annual reports are typically used to present and communicate financial data. • Graphs and charts are effective visual tools because they present information quickly and easily for investors. • Data can be better understood when presented by a graph than by a table because the graph can reveal a trend or comparison.

142. Website Disclosures

Observation(s)	What should one remember?
It was observed that there are certain disclosures which are mandated by the Companies Act 2013 on the website of the company but companies fail to give the required disclosures.	As per companies Act 2013, following disclosures are required on the website of the company: • Section 135(4)(a): The Company shall disclose contents of CSR Policy in Board's report and also place it on its website. • Sec 124(2) The Company, making any transfer of an amount to the Unpaid Dividend Account, shall prepare a statement containing the names, their last known address and unpaid dividend to be paid to each of the person and place it on the website of the Company and any other website approved by the Central Government for this purpose, within 90 days of making such transfer. • Section 230(3): Where a meeting is proposed to be called in pursuance of an order of the tribunal under section 230(1), a notice of such meeting accompanied by a statement disclosing the details of the compromise or arrangement, a copy of the valuation report and explaining their effects shall be placed on the website of the company. • Section 101 read with Rule 18 of the Companies (Management and Administration) Rules, 2014: In case notice of the general meeting is sent

	through electronic means, such notice shall be simultaneously placed on the website of the company. • Rule 26(1) of the Companies (Incorporation) Rules, 2014: Every company which has a website for conducting online business or otherwise, shall disclose/ publish its name, address of its registered office, the Corporate Identity Number, Telephone number, fax number if any, email and the name of the person who may be contacted in case of any queries or grievances on the landing/ home page of the said website. • Section 115 read with rule 23(4) of the Companies (Management and Administration) Rules 2014 : Where it is not practicable to give the Special Notice in the same manner as it gives notice of any general meetings, the notice shall be published in English language in English newspaper and in vernacular language in a vernacular newspaper, both having wide circulation in the State where the registered office of the Company is situated and such notice shall also be posted on the website, if any, of the Company. • Section 91 read with rule 10(1) of the Companies (Management of Administration) Rules 2014: A company closing the register of members or the register of debenture holders or the register of other

	security shall give at least seven days previous notice and publish the notice on the website as may be notified by the Central Government and on the website, if any, of the Company. • Section 108 read with rule 20 of Companies (Management of Administration) Rules, 2014, A company which provides the facility to its members to exercise voting by electronic means shall comply the following: o notice of the meeting shall also be placed on the website, if any, of the company and of the agency forthwith after it is sent to the members o the results declared along with the report of the scrutinizer shall be placed on the website of the company, if any, and on the website of the agency immediately after the result is declared by the Chairman • Section 136: All listed Company shall also place its financial statements including consolidated financial statements, if any, and all other documents required to be attached thereto, on its website, which is maintained by or on behalf of the company. Further, Every Listed Company having subsidiary or subsidiaries shall place separate audited accounts in respect of each subsidiary on its website, if any.

143. Website disclosures for public companies

Observation(s)	What should one remember?
It was observed that there are certain disclosures which are mandated by the Companies Act 2013 on the website of the public company but companies fail to give the required disclosures	As per Companies Act 2013, following disclosures are required on the website of the public company: • Section 13(8) read with Rule 32 of the Companies Incorporation) Rules, 2014: A Company which has raised money from public through prospectus and still has any unutilized amount out of the money so raised, shall not change its object for which money so raised through prospectus unless a special resolution is passed by the Company. The details of such resolution shall be placed on the website of the Company. • Section 73 read with Rule 4(3) of the Companies (Acceptance of deposits) Rules, 2014: Every company inviting deposits from the public shall upload a copy of the circular issued to the members on its website, if any.

144. Website disclosure under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Observation(s)	What should one remember?
It was observed that the SEBI has mandated certain disclosures for organizations which they fail to be complied with.	As per the Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the listed entity shall maintain functional website and it shall disseminate the following information under a separate section on its website:

	• details of its business • terms and conditions of appointment of independent director • composition of various committee of board of directors • code of conduct of board of director and senior management personnel • details of establishment of vigil mechanism/ whistle blower policy • criteria of making payments to non-executive directors, if the same has not been disclosed in the annual report. • policy on dealing with related party transactions • policy on determining 'material' subsidiaries • details of familiarization programmes imparted to independent directors including the following details: - o number of programmes attended by independent directors (during the year and on a cumulative basis till date), o number of hours spent by independent directors in such programmes (during the year and on cumulative basis till date), and o other relevant details • the email address for grievance redressal and other relevant details • contact information of the designated officials of the listed entity who are responsible for assisting and

	handling investor grievances • financial information including: o notice of the meeting of the board of directors where financial results shall be discussed. o financial results, on conclusion of the meeting of the board of directors where the financial results were approved. o complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc. • shareholding pattern • details of agreements entered into with the media companies and/or their associates, etc. • schedule of analysts or institutional investors meet at least two working days in advance (excluding the date of the intimation and the date of the meet) and presentations made by the listed entity to analysts or institutional investors • audio or video recordings and transcripts of post earnings/ quarterly calls, by whatever name called, conducted physically or through digital means, simultaneously with submission to the recognized stock exchange(s) • new name and the old name of the listed entity for a continuous period of one year, from the date of the last name change.

	• Items in sub-regulation (1) of regulation 47 • All credit ratings obtained by the entity for all its outstanding instruments, updated immediately as and when there is any revision in any of the ratings. • separate audited financial statements of each subsidiary of the listed entity in respect of a relevant financial year, uploaded at least 21 days prior to the date of the annual general meeting which has been called to inter alia consider accounts of that financial year • secretarial compliance report as per sub-regulation (2) of regulation 24A of these regulations • disclosure of the policy for determination of materiality of events or information required under clause (ii), sub-regulation (4) of regulation 30 of these regulations • disclosure of contact details of key managerial personnel who are authorized for the purpose of determining materiality of an event or information and for the purpose of making disclosures to stock exchange(s) as required under sub-regulation (5) of regulation 30 of these regulations • disclosures under sub-regulation (8) of regulation 30 of these regulations • statements of deviation(s) or variation(s) as specified in regulation

	32 of these regulations • dividend distribution policy by listed entities based on market capitalization as specified in sub-regulation (1) of regulation 43A • annual return as provided under section 92 of the Companies Act, 2013 and the rules made thereunder.

145. Website disclosure under SEBI (Prohibition of Insider Training) Regulations, 2015.

Observation(s)	What should one remember?
It was observed that companies falling under Regulation 8 of SEBI (Prohibition of Insider Training) Regulations, 2015 fail to comply with the said regulation.	As per Regulation 8 of SEBI (Prohibition of Insider Trading) Regulations, 2015, The board of directors of every company, whose securities are listed on a stock exchange, shall formulate and publish on its official website, a code of practices and procedures for fair disclosure of unpublished price sensitive information that it would follow in order to adhere to each of the principles set out in Schedule A to these regulations, without diluting the provisions of these regulations in any manner.

PART III – Industry Specific Observations

BANKING SECTOR

146. Compliance of RBI's Circular – Write-Off

Observation(s)	What shoul one remember?
It was observed that bank have write-off the loans, however there is no disclosure whether the same is certified by the statutory auditors.	As per Annex III (Disclosures in financial statements – 'Notes to Accounts') of RBI's Master Direction on Financial Statements – Presentation and Disclosures dated August 30,2021 (Updated as on October 25, 2023), "Technical or prudential write-off is the amount of non-performing loans which are outstanding in the books of the branches but have been written-off (fully or partially) at Head Office level. Amount of Technical write-off should be certified by statutory auditors. (Defined in our circular reference DBOD.No.BP.BC.64/21.04.048/2009-10 dated December 1, 2009 on Provisioning Coverage for Advances)".

147. Compliance of RBI's Circular – Liquidity Coverage Ratio

Observation(s)	What should one remember?
It was noted that bank has not disclosed the number of data points used in calculating the average figures of liquidity coverage ratio.	As per Annex III (Disclosures in financial statements – 'Notes to Accounts') of RBI's Master Direction on Financial Statements – Presentation and Disclosures dated August 30,2021 (Updated as on October 25, 2023),

	regarding Liquidity coverage ratio, "Data must be presented as simple averages of daily observations over the previous quarter (i.e. the average is calculated over a period of 90 days). Banks must publish the number of data points used in calculating the average figures in template."

148. Mandatory Compliance with Reserve Bank of India Act, 1934 (RBI Act) that govern the banking industry in India

Observation(s)	What should one remember?
The Non - compliances with the Directions, Circulars etc. of Reserve bank of India is noticed at some places as a result penalty is charged on the banking companies.	The key statutes and regulations that govern the banking industry in India are the Reserve Bank of India Act, 1934 (RBI Act), the Banking Regulation Act, 1949 (BR Act), and the Foreign Exchange Management Act, 1999 and the rules and regulations issued thereunder (FEMA) Reserve Bank of India 1992 SCC 343, wherein it has been held that the Circular and Guidelines issued by the RBI has the binding effect on the Banks. Reserve Bank of India is authorized to issue directives to banks under Section 21 of Banking Regulation Act, 1949 in the interest of depositors, members of public or banking policy. Few areas, where scope for improvement exist: **1. As per RBI Circular DOR (PCB). BPD.Cir.No.7/13.05.000/2019-20 dated December 27, 2019 on "Reporting of Large Exposures to Central Repository of Information on Large Credits (CRILC)**

	- UCBs": Banks are advised to take utmost care about data accuracy and integrity while submitting the data on large credits to the Reserve Bank of India, failing which penal action would be undertaken. **2. Compliance with the directions contained in 'Reserve Bank of India (Frauds classification and reporting by commercial banks and select FIs) directions 2016'** Banks should ensure that the reporting system is suitably streamlined so that delays in reporting of frauds, submission of delayed and incomplete fraud reports are avoided. Banks must fix staff accountability in respect of delays in reporting fraud cases to RBI. Banks should strictly adhere to the timeframe fixed in the circular for reporting of fraud cases to RBI failing which they would be liable for penal action prescribed under Section 47(A) of the Banking Regulation Act, 1949. 3. As per RBI Master Direction (DOR.ACC.REC.No.45/21.04.018/2021-22) (Updated as on October 25, 2023), Chapter II Annex I , format of balance sheet is as follows: Form A Form of Balance Sheet Balance Sheet of ____________________ Balance as on 31st March (Year) **It was observed that the Bank has not followed this. Also, for P&L A/c no form name mentioned.**

	4. As per RBI Master Direction (DOR.ACC.REC.No.45/21.04.018/2021-22) (Updated as on October 25, 2023), Chapter V Annex IV CFS, Schedule 2A minority interest has to be disclosed. **It was observed that bank has not disclosed the same.** 5. As per RBI Master Direction (DOR.ACC.REC.No.45/21.04.018/2021-22) (Updated as on October 25, 2023), Chapter V Annex IV CFS , Schedule 10 **For the Fixed Assets words to be used are "At cost as on 31st March of the preceding year " whereas it was observed bank has used at cost /revalued as at beginning of the FY.** 6. As per RBI Master Direction (DOR.ACC.REC.No.45/21.04.018/2021-22) (Updated as on October 25, 2023), Chapter V Annex IV CFS , Schedule 16, Operating expenses, following to be disclosed: (a) Depreciation on bank's property other than Leased Assets (b) Depreciation on Leased Assets. **It was observed that Bank has not reported accordingly.** 7. As per RBI Master Direction (DOR.ACC.REC.No.45/21.04.018/2021-22) (Updated as on October 25, 2023), Chapter II Annex I, Schedule 2 Reserve & Surplus words as per format to be used are "Additions during the year, Deductions during the year" **Bank has not mentioned words "during the year".** 8. As per RBI Master Direction

<table>
<tr>
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<td>
(DOR.ACC.REC.No.45/21.04.018/2021-22) (Updated as on October 25, 2023), Chapter V Annex IV CFS, format of P&L is as follows (extract):
<table>
<tr><th>Particulars</th><th>Schedule</th></tr>
<tr><td>I. Income</td><td></td></tr>
<tr><td>II. Expenditure</td><td></td></tr>
<tr><td>Share of earnings/ loss in Associates</td><td></td></tr>
<tr><td>Consolidated Net profit/(loss) for the year before deducting Minorities’ Interest</td><td></td></tr>
<tr><td>Less: Minorities’ Interest</td><td></td></tr>
<tr><td>Consolidated profit/(loss) for the year attributable to the group</td><td></td></tr>
<tr><td>Add: Brought forward consolidated profit/(loss) attributable to the group</td><td></td></tr>
</table>
Bank has not reported accordingly.
148. As per RBI Master Direction (DOR.ACC.REC.No.45/21.04.018/2021-22) (Updated as on October 25, 2023), Chapter II Annex I, Schedule 2, for Reserve & Surplus words to be used are "Opening Balance"
</td>
</tr>
</table>

	It was Observed that bank has used "As per last balance sheet" in place of opening balance. 149. As per RBI Master Direction (DOR.ACC.REC.No.45/21.04.018/2021-22) (Updated as on October 25, 2023), Chapter V Annex IV CFS, accounts are to be prepared in "crores". **It was observed that bank has prepared the financial statements in "000".** 11. As per RBI Master Direction (DOR.ACC.REC.No.45/21.04.018/2021-22) (Updated as on October 25, 2023), Chapter IV Annex III, Capital disclosure format is as below: 1. Regulatory Capital a) Composition of Regulatory Capital\\ **It was observed that Bank has not disclosed Point "a" accordingly.**

149. Investment by Banking Company

Observation(s)	What should one remember?
It was observed that the banking company have hold the shares of a company exceeding the limit as prescribed in Banking Regulation Act, 1949.	Compliance with the Section 19(2) of the Banking Regulation Act, 1949 is required which says- Save as provided in sub-section (1), no banking company shall hold shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding thirty per cent. of the paid-up share capital of that company or thirty per cent. of its own paid-up share capital and reserves, whichever is less Provided that any banking company which

	is on the date of the commencement of this Act holding any shares in contravention of the provisions of this sub-section shall not be liable to any penalty therefor if it reports the matter without delay to the Reserve Bank and if it brings its holding of shares into conformity with the said provisions within such period, not exceeding two years, as the Reserve Bank may think fit to allow.

150. Implementation of Ind AS is deferred on banking industry

Observation(s)	What should one remember?
It was observed that the RBI requires all banks to submit Proforma Ind AS financial statements every half year but no specific disclosure regarding the preparedness for IND AS implementation was provided.	RBI vide Circular DBR.BP.BC.No.29/21.07.001/2018-19 dated March 22, 2019 has deferred the implementation of Ind AS till further notice. However, RBI requires all banks to submit Proforma Ind AS financial statements every half year. A statement in regard to its preparation and submission should have been provided.

151. Utilisation of Floating Provisions

Observation(s)	What should one remember?
It was observed at some places that the floating provision not utilized properly.	RBI vide Circular DBOD.NO.BP.BC.89/21.04.048/2005-06 dated June 22, 2006 prescribes the prudential norms on creation and utlisation of floating provisions. Para 2(i) of the circular states “The floating provisions should not be used

	for making specific provisions as per the extant prudential guidelines in respect of non-performing assets or for making regulatory provisions for standard assets. The floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining board's approval and with prior permission of RBI. The boards of the banks should lay down an approved policy as to what circumstances would be considered extraordinary." **Specific permission by RBI vide Circular DOR.STR.REC.10/21.04.048/2021-22 dated May 5, 2021** In order to mitigate the adverse impact of COVID 19 related stress on banks, as a measure to enable capital conservation, it has been decided to allow banks to utilise 100 per cent of floating provisions held by them as on December 31, 2020 for making specific provisions for non-performing assets with prior approval of their Boards. Such utilisation is permitted with immediate effect and upto March 31, 2022.

152. Disclosure of Sale and Transfers to/ from HTM Category

Observation(s)	What should one remember?
It was noticed that the disclosure is not provided as per RBI guidelines on	As per Para 8(viii) of RBI's Master Direction DOR.MRG.42/21.04.141/2021-22, If the value of sales and transfers of

sales and transfer of securities to / from HTM category exceeding 5 per cent of the book value of investments held in HTM category at the beginning of the year.	securities to / from HTM category exceeds 5 per cent of the book value of investments held in HTM category at the beginning of the year, bank should disclose the market value of the investments held in the HTM category and indicate the excess of book value over market value for which provision is not made. This disclosure is required to be made in 'Notes to Accounts' in banks' audited Annual Financial Statements. The 5 per cent threshold referred to above will exclude the one - time transfer of securities to / from HTM category with the approval of Board of Directors permitted to be undertaken by banks at the beginning of the accounting year and sales to the Reserve Bank of India under pre-announced OMO auctions.

153. Provisioning pertaining to Fraud Accounts

Observation(s)	What should one remember?
It was observed in some cases that the provisioning for fraud cases is not in accordance with the RBI guidelines.	**As per RBI Circular DBR.No.BP.BC.92/21.04.048/ 2015-16 dated April 18, 2016 on Provisioning pertaining to Fraud Accounts** Banks should normally provide for the entire amount due to the bank or for which the bank is liable (including in case of deposit accounts), immediately upon a fraud being detected. While computing the provisioning requirement, banks may adjust financial collateral eligible under Basel III Capital Regulations - Capital Charge for Credit Risk (Standardised

	Approach), if any, available with them with regard to the accounts declared as fraud account. However, to smoothen the effect of such provisioning on quarterly profit and loss, **banks havethe option to make the provisions over a period, not exceeding four quarters, commencing from the quarter in which the fraud has been detected.** Where the bank chooses to provide for the fraud over two to four quarters and this results in the full provisioning being made in more than one financial year, **banks should debit 'other reserves' by the amount remaining un-provided at the end of the financial year by credit to provisions.** However, banks should proportionately reverse the debits to 'other reserves' and complete the provisioning by debiting profit and loss account, in the subsequent quarters of the next financial year.

154. Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) – Final Guidelines

Observation(s)	What should one remember?
It was observed that in some cases banks have not complied with NSFR Guidelines that came into effect from October 1, 2021 which require banks to have Net Stable Funding Ratio at least 100% on	As per RBI Circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018 on Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR)-Final Guidelines ('NSFR Guidelines') $NSFR = \frac{(Available\ Stable\ Funding\ (ASF))}{Required\ Stable\ Funding(RSF)} \geq 100\%$ The above ratio should be equal to at least

an ongoing basis. Further the requisite disclosure on website was not found.	100% on an ongoing basis. The NSFR Guidelines has come into effect from October 1, 2021 vide RBI Circular DOR.No.LRG.BC.40/21.04.098/2020-21 dated February 05, 2021.

155. Enhancement in family pension of employees of banks - Treatment of additional liability

Observation(s)	What should one remember?
It was observed that the accounting policy followed in this regard was not appropriately disclosed in the 'Notes to Accounts'.	As per S.No.14(i) of Annex III of RBI's Master Director DOR.ACC.REC.No.45/21.04.018/2021-22 (updated as on 25.10.23) on Financial Statements- Presentation and Disclosures, Banks may take the following course of action to provide for additional liability on account of revision in family pension consequent to the 11th Bipartite Settlement and Joint Note dated November 11, 2020. (a) The liability for enhancement of family pension shall be fully recognised as per applicable accounting standards. (b) The expenditure, if not fully charged to the Profit and Loss Account during the financial year 2021-22, be amortised over a period not exceeding five years beginning with the financial year ending March 31, 2022, subject to a minimum of 1/5th of the total amount involved being expensed every year. **(c)** Appropriate disclosure of the accounting policy followed in this regard shall be made in the 'Notes to Accounts' to the financial statements. Banks shall also disclose the amount

	of unamortised expenditure and the consequential net profit if the unamortised expenditure had been fully recognised in the Profit & Loss Account.

156. Share issue expenses debited to Share premium account

Observation(s)	What should one remember?
It was observed that the banks have not disclosed its accounting policy for the utilization of share premium account for meeting share issue expenses.	As per Para 19 of RBI's Master Director DOR.ACC.REC.No.45/21.04.018/2021-22 (updated as on 25.10.23) on Financial Statements- Presentation and Disclosures, Subject to compliance with applicable laws, banks, without prior approval of Reserve Bank of India, can utilize the share premium account for meeting share issue expenses like registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties to the extent that such expenses are incremental costs directly attributable to the transaction that otherwise would have been avoided. The share premium account shall not be utilized for writing off the expenses relating to the issue of debt instruments. Further, as per Sec. 52(2) of Companies Act, 2013, securities premium account may be applied by the company— in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

INSURANCE SECTOR

157. Format prescribed by IRDA

Observation(s)	What should one remember?
1. It was noted in some cases that Form A-PL and A-BS on Profit & Loss A/c and Balance Sheet are not mentioned by company.	1. As per Schedule A of The IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, Form A-PL & Form A-BS has to be mentioned on Profit & loss A/c and Balance Sheet respectively.
2. It was observed that the company has not mentioned this on the revenue account, profit & loss account and balance sheet.	2. As per Schedule A of The IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, Format of Revenue A/c, Profit & loss A/c and Balance Sheet requires the disclosure of following: Name of the Insurer: Registration No. and Date of Registration with the IRDA.
3. Company has not reported any "Other income" on the Face of Form B-PL whereas company is reporting "other income" head in segmental revenue and performance report as part of operating profit.	3. As per the format prescribed in Schedule B of The IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, Other Income is to be disclosed separately in the profit and loss account.

158. Nomenclature prescribed by IRDA

Observation(s)	What should one remember?
It was noted that the company has used the term ‘Cash flow statement’ as a heading whereas it should have used the term ‘Receipts & Payments Account’.	As per Schedule A of The IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, the term used shall be Receipts and Payments Account for Cash Flow Statement.

159. Insurance Companies -Disclosure of Encumbrances

Observation(s)	What should one remember?
It has been observed that some companies have not disclosed the encumbrances to assets of the company by way of notes to the Balance Sheet.	As per Part II of Schedule A of The IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, company shall disclose the encumbrances to assets of the company in and outside India by way of notes to the Balance Sheet. In case, such charges does not exist, the company should mention that there exist no charges on assets of company in and outside India.

160. Disclosure of 'Ageing of claims'

Observation(s)	What should one remember?
It was observed that the company has disclosed only the average settlement time during the preceding five years. It has not disclosed the information as required in the format.	IRDA's Master circular on Preparation of Financial Statements: General Insurance Business (Circular No. IRDA/F&L/CIR/F&A/231/10/2012, Dated 5-10-2012) prescribes the following format for disclosure of 'Ageing of claims indicating the trends in average claim settlement time during the preceding five years': *Segment wise

Period	No. of Claims	Amount Involved
30 days		
30 days to 6 months		
6 months to 1 year		

	1 year to 5 years		
	5 years and above		

161. Computation of Managerial Remuneration-Disclosure

Observation(s)	What should one remember?
It was observed that 'Computation of managerial remuneration' not disclosed by notes to account of balance sheet.	As per Part II of Schedule A of The IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, 'Computation of managerial remuneration' shall be disclosed by way of notes to the balance sheet.

162. Compliance with Accounting standards- Insurance Companies

Observation(s)	What should one remember?
1. It was noted that the Company has not disclosed its policy regarding at which interval the company is reviewing the residual value and useful life of an asset.	1. As per Para 53 of AS 10, " Property Plant & Equipment ", the residual value and the useful life of an asset should be reviewed at least at each financial year end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.
2. It was observed that the Company has not disclosed its policy regarding at which interval the company is reviewing the amortization	2. As per Para 78 of AS 26, "Intangible Assets", "The amortisation period and the amortisation method should be reviewed at least at each financial year end. If the expected useful life of the asset is

period and amortization method.	significantly different from previous estimates, the amortisation period should be changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method should be changed to reflect the changed pattern. Such changes should be accounted for in accordance with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.”

163. Insurer Prohibited for investment of funds outside India

Observation(s)	What should one remember?
It was noticed that no declaration is made by the insurance company in this regard.	As per Sec. 27E of The Insurance Act, 1938, Prohibition for investment of funds outside India — No insurer shall directly or indirectly invest outside India the funds of the policyholders.

164. Accounting and Disclosure of Unclaimed Amount of Policy holders

Observation(s)	What should one remember?
It was noticed that the required disclosures are not given with regard to Unclaimed Amount of Policyholders.	As per IRDAI’s Master circular Reference No: IRDA/F&A/CIR/Misc/282 /11/2020 dated 18/11/2020 on Unclaimed Amounts of Policyholders, Insurers shall maintain a single segregated fund to manage all unclaimed amounts and the sum of such fund shall be invested in money market instruments, Liquid Mutual Funds and /or fixed deposits of scheduled banks or such other

	instruments as may be permitted by Authority. All insurers shall disclose the amount representing the unclaimed amounts as a separate line item in the specified Notes or Schedules to the Balance Sheet. The age-wise analysis of unclaimed amounts shall also be disclosed in the Notes to Accounts as per the specified format, Form A, Schedule — I and shall form part of the Annual Report of all insurers. All insurers shall disclose the income credited during the year on the Unclaimed Amounts, in the notes to accounts in the Financial Statements.

165. Segment Reporting as per IRDAI guidelines

Observation(s)	What should one remember?
It was noticed that the segment results are not disclosed separately as required by the IRDAI guidelines.	As per IRDAI's Master Circular No. IRDA/F&L/CIR/F&A/231/10/2012 dated 5-10-2012 on Preparation of Financial Statements: General Insurance Business, Accounting Standard 17 (AS 17)- Segment Reporting, shall apply to all insurers irrespective of the requirements regarding listing and turnover mentioned therein. All general insurers are required to prepare separate revenue accounts for fire, marine and miscellaneous business. Further, separate Schedules are required to be prepared for Marine Cargo and Marine – Others. In addition, in respect of miscellaneous business, separate Schedules shall be furnished for 1. Motor- Motor Own Damage, and TP, 2. Workmen's

	Compensation/Employer's liability, 3. Public/Product Liability, 4. Engineering, 5. Aviation, 6. Personal Accident, 7. Health insurance and 8. Others. Any other sub-segment contributing more than 10% of the total premium of the insurer shall be shown separately. The Authority requires the segments to be reported on the basis of line of business, and on the basis of business within and outside India. While giving the segment details previous year's figures should also be given for all the segments.

166. Risk Management Disclosures

Observation(s)	What should one remember?
The risk management disclosures given were not adequate as per the requirement of The Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies), Regulations, 2002.	The Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies), Regulations, 2002 prescribes the manner of preparation of financial statements by the insurers. S.No.8 of Part IV of Schedule A (applicable on insurers carrying on life insurance business) requires the following disclosure in Management Report, "Disclosure with regard to the overall risk exposure and strategy adopted to mitigate the same." S.No.7 of Part IV of Schedule B (applicable on insurers carrying on general insurance business) requires the following disclosure in Management Report, "Disclosure with regard to the overall risk exposure and strategy adopted to mitigate the same."

NBFC SECTOR

167. Ratios Disclosure

Observation(s)	What should one remember?
It was observed that companies are not disclosing all the ratios which are mandatory to disclose as specified here.	As per Division III of Schedule III of the Companies Act 2013, following ratios to be disclosed: (a) Capital to risk-weighted-assets ratio (CRAR) (b) Tier I CRAR (c) Tier II CRAR (d) Liquidity Coverage Ratio

168. Contingent Liability Disclosure

Observation(s)	What should one remember?
It was observed that in some cases the format of contingent liability is not in line with format prescribed by Division III of Schedule III.	As per Division III of Schedule III of the Companies Act 2013, the contingent liabilities and commitments are to be disclosed as follows: (i) Contingent Liabilities shall be classified as: (a) Claims against the company not acknowledged as debt; (b) Guarantees excluding financial guarantees; and (c) Other money for which the company is contingently liable (ii) Commitments shall be classified as: (a) Estimated amount of contracts remaining to be executed on capital account and not provided for; (b) Uncalled liability on shares and other investments partly paid; (c) Other commitments (specify nature).

169. Loans to Directors, Senior Officers and relatives of Directors

<table>
<tr><th>Observation(s)</th><th>What should one remember?</th></tr>
<tr><td>It was observed that companies not disclosing proper format as per Schedule III specifically “Percentage to the total Loans and Advances in the nature of loans”.</td><td>As per Division III of Schedule III of the companies act 2013, following disclosures shall be made where Loans or Advances are granted to promoters, directors, KMPs and the related parties:
<table>
<tr><td>Type of borrower</td><td>Amount of loan or advance in the nature of loan outstanding</td><td>Percentage to the total Loans and Advances in the nature of loans</td></tr>
<tr><td>Promoter</td><td></td><td></td></tr>
<tr><td>Directors</td><td></td><td></td></tr>
<tr><td>KMPs</td><td></td><td></td></tr>
<tr><td>Related Parties</td><td></td><td></td></tr>
</table>
</td></tr>
</table>

170. Audit Fees- Disclosure

Observation(s)	What should one remember?
It was observed that in some cases audit fees is included in legal and professional expenses.	As per Division III of Schedule III of the Companies Act 2013, ‘Auditor’s fees and expenses’ to be disclosed as separate sub-head under the head ‘Other Expenses’.

NPOs

171. Disclosure about Sources and Uses of Funds

Observation(s)	What should one remember?
It was observed that NPOs have not given the disclosure of full information about the end use of resources including an analysis of percentage of funds spent on organization's infrastructure, manpower etc. and percentage spent on beneficiaries; corrective action recommended on imbalance in fund utilization, if any.	The disclosure about sources and uses of funds in a Non-Profit Organization (NPO) annual report serves as a critical component of financial transparency and accountability. This information provides stakeholders, including donors, members, and the general public, with a detailed understanding of how the organization acquires and allocates its financial resources. By delineating the sources of funds, such as grants, donations, or other income streams, the NPO offers transparency about its financial sustainability and the diverse channels through which it receives support.

172. Separate set of accounts and records for The Foreign Contribution

Observation(s)	What should one remember?
It was observed that the NPOs, which are receiving foreign contribution, are not disclosing about the separate set of accounts and records exclusively for the foreign contributions.	As per Rule 11 of Foreign Contribution (Regulation) Rules, 2011, Every person who has been granted registration or prior permission under section 12 of the Foreign Contribution (Regulation) Act, 2010 shall maintain a separate set of accounts and records, exclusively, for the foreign contribution received and utilized.

173. Disclosure about Budget & its utilization

Observation(s)	What should one remember?
It was noted that NPOs	The disclosure of information about

were not providing information about the approved budget and its utilization including the reasons for under/ over utilization.	approved budgets and their utilization, including explanations for any under or over-utilization, plays a pivotal role in enhancing transparency and accountability within Non-Profit Organizations (NPOs). By including this detailed financial information in the annual report, NPOs provide stakeholders, including donors, members, and the public, with a comprehensive view of their financial management practices.

174. Revenue Recognition for NPO's

Observation(s)	What should one remember?
It was observed that NPOs have not disclosed the circumstances in which revenue recognition has been postponed or circumstances when revenue may be recognized.	As per Para 14 of AS 9 (Revenue Recognition), "In addition to the disclosures required by Accounting Standard (AS) 1, "Disclosure of Accounting Policies", an enterprise should also disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

175. Disclosure of Use of Fund Based Accounting

Observation(s)	What should one remember?
It was observed that the NPOs have not provided any information about the Use of Fund Based Accounting in the annual report.	Implementing Fund-Based Accounting and disclosing such information in an NPO's annual report is crucial for providing stakeholders with a clear and detailed insight into financial management and allocation of resources. Fund accounting allows Non-Profit Organizations (NPOs) to categorize their financial activities into different funds based on purposes, restrictions, or sources of funding. By

	disclosing this in the annual report, the organization communicates a transparent picture of how its financial resources are segregated and utilized according to the specific objectives for which they were designated.

176. Government's policy in relation to initiatives of the organization

Observation(s)	What should one remember?
It was observed that organization have not disclosed about the information as regards to government's policy in relation to initiatives of the organization and involvement of government/ governmental bodies in activities of the organization.	Disclosing information about government policies related to a Non-Profit Organization's (NPO) initiatives and the involvement of government or governmental bodies in its activities in the annual report is a good sign for fostering transparency and demonstrating the organization's collaboration with the government for the welfare of the general public.

PUBLIC SECTOR UNDERTAKINGS

177. Information about CSR common theme

Observation(s)	What should one remember?
It was noted that organization have not disclosed the information pertaining to CSR expenditure on common theme as required by the guidelines issued by the Department of Public Enterprises (Ministry of Heavy Industries and Public	As per the Department of Public Enterprises Office Memorandum No. CSR-08/0002/2018-Dir (CSR) dated 10th December 2018, a common theme may be identified for each year for undertaking CSR by CPSEs. Accordingly, the Department of Public Enterprises issues a separate office memorandum each year for the common

Enterprises, Government of India).	theme for that year. Central Public Sector Enterprises (CPSEs) should disclose about the common theme applicable for that year in its annual report.

178. CSR expenditure on common theme

Observation(s)	What should one remember?
It was noted that the organizations have not specified the CSR amount spent on the common theme as required by the guidelines issued by the Department of Public Enterprises.	As per the Department of Public Enterprises Office Memorandum No. CSR-08/0002/2018-Dir (CSR) dated 10th December 2018, CSR expenditure for thematic programme should be around 60% of annual CSR expenditure of CPSEs. Therefore, CPSEs should disclose specifically the amount of expenditure incurred on thematic programme as applicable for the year.

179. Allocation of funds for CSR

Observation(s)	What should one remember?
It was noted that the in the CSR policy, while defining allocation of funds, organization have not complied with the common theme identified by the Department of Public Enterprises for the financial year 2022-23.	As per the Department of Public Enterprises Office Memorandum No. CSR-08/0002/2018-Dir (CSR) dated 10th December 2018, CSR expenditure for thematic programme should be around 60% of annual CSR expenditure of CPSEs. Further, as per Department of Public Enterprises Office Memorandum F.No. 8/0002/2018-Dir (CSR) dated 5th April 2022, 'Health and Nutrition' is the

	common theme for CSR activities by CPSEs for the financial year 2022-23. CPSEs should allocate around 60% CSR funds for projects related to common theme (as may be applicable for the year) in its CSR policy.

180. Preference to Aspirational Districts for CSR

Observation(s)	What should one remember?
It was noted that the organizations have not given the preference to Aspirational Districts for CSR as suggested by the Department of Public Enterprises. Further, some organizations have not disclosed whether organizations have given the preference to Aspirational Districts neither in the annual report nor in the CSR policy.	As per the Department of Public Enterprises Office Memorandum No. CSR-08/0002/2018-Dir (CSR) dated 10th December 2018, "Aspirational Districts may be given preference. (A list of 112 Aspirational Districts as identified by NITI Aayog is attached at Annexure-I)." Therefore, CPSEs should give the preference to Aspirational Districts for CSR and it should disclose it in the annual report and its CSR policy.

181. Composition of Board of Directors

Observation(s)	What should one remember?
It was noted that the composition of board was not in line with the guidelines issued by the Department of Public Enterprises.	As per Para 3.1.4 of Department of Public Enterprises Office Memorandum No. 18(8)/2005-GM dated 14th May 2010, In case of a CPSEs listed on the Stock Exchanges and whose Board of Directors is headed by an Executive Chairman, the number of Independent Directors shall be at least 50% of Board Members; and in case of all other CPSEs (i.e. listed on Stock Exchange but without an Executive

	Chairman, or not listed CPSEs), at least one-third of the Board Members should be Independent Directors.

182. Roles and Responsibilities of Board and Directors

Observation(s)	What should one remember?
It was noted that there is no information about the Board Charter which defines the roles and responsibilities of the Board and individual directors.	As per Para 3.5 of Department of Public Enterprises Office Memorandum No. 18(8)/2005-GM dated 14th May 2010, A clear definition of the roles and the division of responsibilities between the Board and the Management is necessary to enable the Board to effectively perform its role. The Board should have a formal statement of Board Charter which clearly defines the roles and responsibilities of the Board and individual Directors.

183. Review of information by audit committee

Observation(s)	What should one remember?
It was noted that the organization have not made the disclosure about review of information by the audit committee.	As per Para 4.5 of Department of Public Enterprises Office Memorandum No. 18(8)/2005-GM dated 14th May 2010, the audit committee shall review the following information: (i) Management discussion and analysis of financial condition and results of operations; (ii) Statement of related party transactions submitted by management; (iii) Management letters / letters of internal control weaknesses issued by the statutory auditors; (iv) Internal audit reports relating to

	internal control weaknesses; (v) The appointment and removal of the Chief Internal Auditor shall be placed before the Audit Committee; and (vi) Certification/declaration of financial statements by the Chief Executive/Chief Finance Officer. Organization should disclose it the corporate governance report about which information has been reviewed by the audit committee during the year.

184. Representation of holding company on board of subsidiary company

Observation(s)	What should one remember?
It was noted that information about the representation of holding company on the board of subsidiary company is not given in the annual report.	As per Para 6.1 of Department of Public Enterprises Office Memorandum No. 18(8)/2005-GM dated 14th May 2010, At least one Independent Director on the Board of Directors of the holding company shall be a Director on the Board of Directors of its subsidiary company. Further, as per Explanation to Chapter 6, For the purpose of these guidelines, only those subsidiaries whose turnover or net worth is not less than 20% of the turnover or net worth respectively of the Holding company in the immediate preceding accounting year may be treated as subsidiary companies.

185. Composition of audit committee

Observation(s)	What should one remember?
It was noted that the composition of audit	As per Para 4.1.1 of Department of Public Enterprises Office Memorandum No.

committee was not in line with guidelines issued by the Department of Public Enterprises.	18(8)/2005-GM dated 14th May 2010, The Audit Committee shall have minimum three Directors as members. Two-thirds of the members of audit committee shall be Independent Directors. Further, as per Para 4.1.2, the chairman of the Audit Committee shall be an Independent Director.

186. Composition of remuneration committee

Observation(s)	What should one remember?
It was noted that the composition of remuneration committee was not in line with guidelines issued by the Department of Public Enterprises.	As per Para 5.1 of Department of Public Enterprises Office Memorandum No. 18(8)/2005-GM dated 14th May 2010, Each CPSE shall constitute a Remuneration Committee comprising of at least three Directors, all of whom should be part-time Directors (i.e. Nominee Directors or Independent Directors). The Committee should be headed by an Independent Director.

187. Disclosure of remuneration of directors

Observation(s)	What should one remember?
It was noted that the remuneration of directors are not disclosed appropriately in line with guidelines issued by the Department of Public Enterprises.	As per Para 7.4.2 of Department of Public Enterprises Office Memorandum No. 18(8)/2005-GM dated 14th May 2010, the following disclosures on the remuneration of directors shall be made in the section on the Corporate Governance of the Annual Report: (a) All elements of remuneration package of all the directors i.e. salary, benefits, bonuses, stock-options, pension, etc.

	(b) Details of fixed component and performance linked incentives, along with the performance criteria. (c) Service contracts, notice period, severance fees. (d) Stock option details, if any – and whether issued at a discount

188. Declaration of compliance with code of conduct

Observation(s)	What should one remember?
It was noted that the annual report did not contain the declaration signed by the CEO to the effect that all the board members and senior management personnel have affirmed compliance with the code of conduct.	As per Para 3.4.2 of Department of Public Enterprises Office Memorandum No. 18(8)/2005-GM dated 14th May 2010, All Board members and senior management personnel shall affirm compliance with the code on an annual basis. The Annual Report of the company shall contain a declaration to this effect signed by its Chief Executive.

189. Disclosure of compliance with corporate governance guidelines

Observation(s)	What should one remember?
It was noted that the annual repot did not contain the Chairman's speech carrying a section on compliance with corporate governance guidelines/ norms.	As per Para 8.2.2 of Department of Public Enterprises Office Memorandum No. 18(8)/2005-GM dated 14th May 2010, Chairman's speech in Annual General Meeting (AGM) should also carry a section on compliance with Corporate Governance guidelines/norms and should form part of the Annual Reports of the concerned CPSE.

190. Quorum in audit committee meetings

Observation(s)	What should one remember?
It was noted that the quorum in the meetings of audit committee was not in accordance with the guidelines issued by the Department of Public Enterprises.	As per Para 4.4 of Department of Public Enterprises Office Memorandum No. 18(8)/2005-GM dated 14th May 2010, in the meeting of audit committee, the quorum shall be either two members or one third of the members of the audit committee, whichever is greater, but a minimum of two independent members must be present.

Notes

Notes

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