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Importance of the financial reporting process

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Background

Reporting under Indian Accounting Standards (Ind AS) will result in a significant increase in presentation and disclosures requirements in the financial statements. Entities will have to apply rigour to ensure that they identify risks and build in adequate controls that are consistent with their convergence process and beyond. This will include policy choice decisions and enhanced disclosure requirements.

This publication is in the form of a checklist for use by Managements in their journey in Ind AS. This is merely an illustration and Managements are encouraged to further develop this checklist to ensure robust reporting.

A. With respect to Ind AS 101 exemptions and exceptions, has the entity determined:

	Checklist for Management	Response
1	The relevant exemptions and exceptions that are applicable to it.	☐ ☐ ☐
2	Availability of information where retrospective application is proposed.	☐ ☐ ☐
3	Impact of exemptions sought to the Group as a whole, including completeness.	☐ ☐ ☐
4	Whether the same is consistent with the relevant industry policy choices, to enable comparability.	☐ ☐ ☐
5	Impact on Information Technology systems.	☐ ☐ ☐
6	Impact on taxation.	☐ ☐ ☐
7	Communicated such policy choices across the Group for effective implementation.	☐ ☐ ☐
8	Thresholds for investigation, in case of non-adherence.	☐ ☐ ☐
9	Report back mechanism to the Parent for understanding impact of non-adherence.	☐ ☐ ☐

B. With respect to preparation of Ind AS 101 opening balance sheet and reconciliation, has the entity determined:

	Checklist for Management	Response
1	Whether the methods followed across the Group enable accurate restatement of the opening balance sheet in accordance with Ind AS and the policy choices adopted by the Group.	☐ ☐ ☐
2	Whether the required reconciliations between previous GAAP and Ind AS has been accurately drawn up.	☐ ☐ ☐
3	Whether the reconciling items are properly explained.	☐ ☐ ☐
4	Whether no errors have been pushed in as a reconciling item.	☐ ☐ ☐
5	Whether the opening balance sheet and reconciliations have been appropriately reviewed by knowledgeable persons.	☐ ☐ ☐

☐ Urgent action required ☐ Some fine tuning required ☐ On track

C. With respect to the Balance Sheet, has the entity determined:

	Checklist for Management	Response
1	Whether the operating cycle has been appropriately determined for the parent and all components of the Group.	☐ ☐ ☐
2	Whether the classification of current and non-current assets and liabilities is accurate considering the entity's operating cycle.	☐ ☐ ☐
3	Whether the basis for classification of an item of asset as a financial asset is accurate and consistently applied across the Group.	☐ ☐ ☐
4	Whether the basis for classification of an item of liability as a financial liability is accurate and consistently applied across the Group.	☐ ☐ ☐
5	Whether the equity-liability classification has been evaluated considering all covenants of the underlying agreements.	☐ ☐ ☐
6	Whether appropriate discounting has been done for applicable long term assets and liabilities.	☐ ☐ ☐
7	Whether the above are consistently applied across the Group.	☐ ☐ ☐

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	Checklist for Management	Response
D. With respect to the Statement of Profit and Loss (including other comprehensive income [OCI]), has the entity determined:		
1	Whether the relevant discounts offered to customers have been appropriately reduced from revenue.	☐ ☐ ☐
2	Whether revenue includes excise duty and excise duty expense is presented as an expense.	☐ ☐ ☐
3	Whether all constructive obligations have been considered for a provisioning.	☐ ☐ ☐
4	Whether changes in tax legislations have been considered, including applicable tax rates.	☐ ☐ ☐
5	Whether items that have to be routed through OCI have been appropriately identified and approved.	☐ ☐ ☐
E. With respect to the Statement of changes in equity (SOCIE), has the entity determined:		
1	Whether the adjustments consider the underlying tax implications.	☐ ☐ ☐
2	Whether the elements of SOCIE are in accordance with the accounting framework.	☐ ☐ ☐
F. With respect to the cash flow statement, has the entity determined:		
1	Whether the elements of cash flow have been appropriately compiled.	☐ ☐ ☐
2	Whether the adjustments of non-cash items are in agreement with the financial statements.	☐ ☐ ☐
3	Whether the types of cash flow (operating, financing, investing activities) have been appropriately determined.	☐ ☐ ☐
4	Whether restricted cash items and foreign currency adjustments have been appropriately presented.	☐ ☐ ☐

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Checklist for Management | **Response**

G.

With respect to accounting policies, has the entity determined:

1. Whether all accounting policies chosen are consistently applied for all time periods that are presented. ☐ ☐ ☐
2. Whether all such policies are applied across the Group in a consistent manner. ☐ ☐ ☐
3. Whether the policies are being reviewed by knowledgeable persons across all periods. ☐ ☐ ☐

H.

With respect to disclosures in the financial statements, has the entity determined:

1. Whether the disclosures required by all Ind AS are accurate and complete. ☐ ☐ ☐
2. Where there are multiple components, whether details for disclosure in the Group financial statements have been compiled and are complete. ☐ ☐ ☐
3. Where there are multiple jurisdictions, whether the parent and the components have a process in place to determine if all tax laws and changes therein have been considered. ☐ ☐ ☐
4. With respect to off balance sheet items, whether the parent and the components have a process in place to determine if all the laws & regulations of the respective jurisdictions have been appropriately considered, assessed and robustly challenged. ☐ ☐ ☐
5. With respect to fair value disclosures on financial instruments, whether the level for disclosure has been appropriately determined with rationale. ☐ ☐ ☐
6. With respect to comparatives, whether complete and relevant information has been compiled and reviewed for inclusion in the financial statements. ☐ ☐ ☐

Our insights

While the table above provides a mere illustration of areas where an entity will have to assess risks and develop controls / adequately document controls that they are currently exercising, the key lies in the robustness of reviews that are performed to ensure accurate financial reporting. Entities are therefore encouraged to reassess the current risk control matrices to ensure that they capture the additional requirements brought in by Ind AS.

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