Financials of non- corporate and Corporate Assessee

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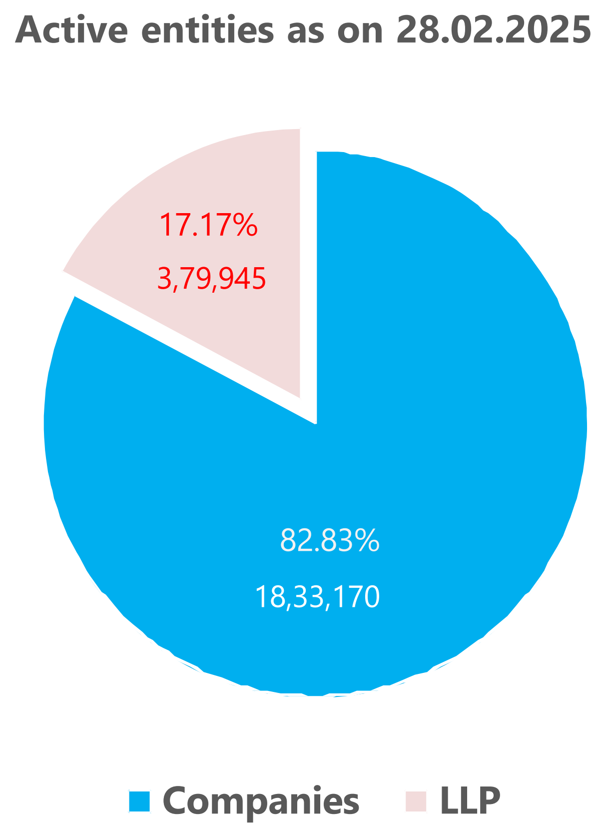
Background

Composition of Corporate and LLP



Facts and Myths about NCE & LLP

Fact

- Less regulated and ease of doing business.

- No standard format of FS except specified by Regulators like in case of Trusts formed under Maharashtra Public Trust.

Myth

- Not mandatory to comply with AS & SA not applicable.

- Income Tax Block concept of depreciation on FA is allowed for books.

- Audit of books is not mandatory.

- Items can be directly debited or credited in partner account like taxes.

Overview

LLP (Limited Liability Partnership)

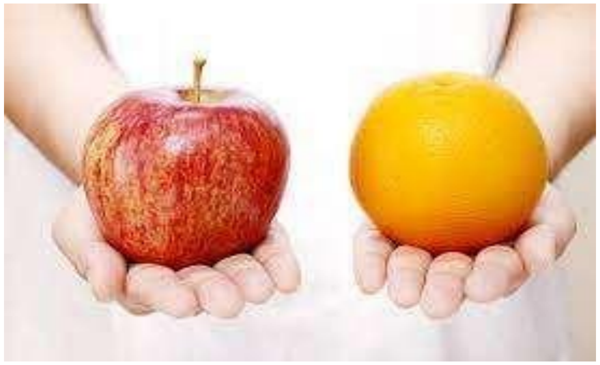
- Governed by the LLP Act, 2008
- LLP was introduced to give a dual benefit of limited liability & flexibility of partnership firm
- Introduce Concept like Small LLP, prescribe Standard of accounting and standard of auditing for LLP

NCE (Non-Corporate Entities)

- Partnership firm
- Proprietorship firms
- Trust
- HUF
- Societies & AOP
- Governed by respective Laws

Key concerns raised by users of FS of LLP & NCE

Not adequate or incomplete disclosures in FS



Non-comparability – format of FS not stipulated

Need for changes and its benefits

Transparency

Global Opportunity

Accountability

Investor Confidence

Uniformity

Early warning signs

What has been introduced now?

Introduced

ICAI has issued guidance note on FS for LLP and NCE. Also illustrative excel FS is given

Exemption for entities for specific format is prescribed under law

It is still recommendatory in nature for the entity but mandatory for members to comply

Format of Financial Statements as per Guidance Note

What are financial statements

- A Balance Sheet
- A statement of profit and loss
- A cash flow statement (where applicable)
- Those notes to accounts and other statements & explanatory material that are integral part of the financial statements

- The said GN is applicable for financial statements prepared on and after 1st April 2024

Equity and Liabilities

(Amount in Rs. XX)

	Particulars	Note No	31 March 20XX	31 March 20XX
I	**OWNERS' FUNDS AND LIABILITIES**			
1.	**Owners' Funds**			
(a)	Owners' Capital Account		-	-
	(i) Owners'/Partners' Capital Account[4]	3a		
	(ii) Owners'/Partners' Current Account[4]	3b		
(b)	Reserves and surplus	4	-	-
			-	-
2.	**Non-current liabilities**			
(a)	Long-term borrowings	5	-	-
(b)	Deferred tax liabilities (Net)	6	-	-
(c)	Other long-term liabilities	7	-	-
(d)	Long-term provisions	8	-	-
			-	-
3.	**Current liabilities**			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables	9		
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
			-	-
	Total			
II	**ASSETS**			

Assets

1.	**Non-current assets**			
(a)	Property, Plant and Equipment and Intangible assets	11		
(i)	Property, Plant and Equipment			
(ii)	Intangible assets			
(iii)	Capital work in progress			
(iv)	Intangible asset under development			
(b)	Non-current investments	12	-	
(c)	Deferred tax assets (Net)	6		
(d)	Long Term Loans and Advances	13		
(e)	Other non-current assets	14		
			-	-
2.	**Current assets**			
(a)	Current investments	12		
(b)	Inventories	15		
(c)	Trade receivables	16		
(d)	Cash and bank balances	17		
(e)	Short Term Loans and Advances	13		
(f)	Other current assets	18		
			-	-
	Total		-	-

Statement of Profit and Loss

(Amount in Rs.)

	Particulars	Note	31 March 20XX	31 March 20XX
I	Revenue from operations	19	-	-
II	Other Income	20	-	-
III	**Total Income (I+II)**		-	-
IV	**Expenses:**			
(a)	Cost of Material Consumed	21	-	-
(b)	Purchases of Stock-in-Trade		-	-
(c)	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	-	-
(d)	Employee benefits expense	23	-	-
(e)	Finance costs	24	-	-
(f)	Depreciation and amortization expense	25	-	-
(g)	Other expenses	26	-	-
	Total expenses		-	-
V	**Profit/(loss) before exceptional and extraordinary items, partners' remuneration and tax (III- IV)**		-	-
VI	Exceptional items (specify nature & provide note/delete if none)		-	-
VII	**Profit/(loss) before extraordinary items, partners' remuneration and tax (V-VI)**		-	-
VIII	Extraordinary Items (specify nature &		-	-

Statement of Profit and Loss

	Particulars	Note	31 March 20XX	31 March 20XX
	provide note/delete if none)			
IX	**Profit before partners' remuneration and tax (VII-VIII)**		-	-
X	**Partners' remuneration[5]**		-	-
XI	**Profit before Tax (IX-X)**		-	-
XII	Tax expense:			
(a)	Current tax		-	-
(b)	Excess/Short provision of tax relating to earlier years			
(c)	Deferred tax charge/ (benefit)	6	-	-
			-	-
XIII	**Profit/(Loss) for the period from continuing operations (XI-XII)**		-	-
XIV	Profit/(loss) from discontinuing operations		-	-
XV	Tax expense of discontinuing operations		-	-
XVI	**Profit/(loss) from discontinuing operations (after tax) (XIV-XV)**		-	-
XVI	**Profit/(Loss) for the year (XIII+XVI)**			

Partners Contribution Account

(Amount in Rs.)

Sr. No.	Name of Partner	Agreed contribution	Share of profit/ (loss) (%)	As at 1st April 20XX (Opening Balance)	Introduced/contributed during the year	Remuneration for the year	Interest for the year	Withdrawals during the year	Share of Profit / Loss for the year	As at 31st March 20XX (Closing Balance)
1										-
2										-
3										-
4										-
				-	-	-	-	-	-	-
Previous Year (PY)				-	-	-	-	-	-	-

Partners Current Account

Sr. No.	Name of Partner	Share of profit/ (loss) (%)	As at 1st April 20XX (Opening Balance)	Introduced/contributed during the year	Remuneration for the year	Interest for the year	Withdrawals during the year	Share of Profit / Loss for the year	As at 31st March 20XX (Closing Balance)
1									-
2									-
3									-
4									-
			-	-	-	-	-	-	-
Previous Year (PY)									

Basic guidelines given under GN

- Operating cycle for classification of BS items into current & non-current
- Narrative description in notes to FS
- Cross-reference with sub-notes
- Uniformity in presenting the amounts in FS
- Rounding off of amounts in FS based on threshold limit of total income (optional)
- Requirement of respective statute or AS will prevail over guidance note.

Key fundamental changes laid down

Standardization	Reduce gap in presentation of FS of corporate and non-corporate entities
Trend analysis	Disclosure of comparative figures
Additional disclosures	Align disclosures with Schedule III

Balance Sheet related changes

- Movement to be presented for (a) capital and current account transaction (i.e. additional contribution, withdrawal, interest, remuneration, share of profit or loss in % terms and amount) (b) PPE.
- Nature of security is required to be disclosed for loan liability including any guarantee given by promoters or others.
- Disclosure of amounts payable to micro and small parties as per MSME Act.
- Aggregate amount of trade receivables (six months due and above) **shall** be stated separately.
- Trade receivables, secured considered good, unsecured Considered Good, Doubtful to be given. Allowance for bad and doubtful debts shall be disclosed separately.
- Sub-classification of Secured and Unsecured is required in the note of items like Loans and advances, loan liability from bank, related parties and others, etc. Nature of security of secured borrowings shall be specified separately in each case.

Balance Sheet related changes

- Contingent liabilities **shall** be classified as: (a) Claims against the non-corporate entity not acknowledged as debt; (b) Guarantees; (c) Other money for which the non-corporate entity is contingently liable.

- Other non-current assets **shall** be classified as: (i) Security Deposits; (ii) Bank deposits with more than 12 months maturity; (ii) Others (specify nature).

- Under each classification of investments (current as well as non-current), details **shall** be given of names of the entities (indicating separately whether such entities are joint ventures or controlled special purpose entities) in whom investments have been made (showing separately investments which are partly-paid). Investment to be classified into Trade and Non-trade.

- Classification of PPE and Intangibles **shall** be disclosed in the Notes.

- Goods-in-transit **shall** be disclosed under the relevant sub-head of inventories.

Statement of Profit and Loss related changes

- Disclosure of any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.1,00,000 whichever is higher.
- Disclosure of revenue from operations, other operating revenue and other income (net of expensed directly attributable to such income).
- Disclosure of COGS into cost of material consumed, purchase of stock in trade and changes in inventories.
- Separate disclosure for items like partners remuneration, consumption of stores & spares, power & fuel, repairs to building, repairs to machinery.
- Sub-classification in note of Finance cost shall have a separate sub-point for "Interest on partners'/members' capital".

Overview of Applicability of Accounting Standards

Accounting Standard Compliance

Accounting Standards covers following aspects of accounting transactions in financial statements:

- Recognition
- Measurement
- Accounting Treatment
- Presentation
- Disclosure

Revised Criteria for classification of NCE for applicability of Accounting Standards

- The revised criteria for applicability of Accounting Standards to Non-company entities shall come into effect from accounting periods commencing on or after April 1, 2024.

- For the purpose of applicability of Accounting Standards, Non-company entities are classified into two categories:

  i. Micro, Small and Medium Sized Entities (MSMEs); and
  ii. Large entities

- Large entities are required to comply with all the AS.

- Certain exemptions/relaxations have been provided to MSMEs.

MSMEs
- Previously : Level II
- Previously : Level III
- Previously : Level IV

Large Entities
- Previously : Level I

Criteria for Micro, Small and Medium Sized Entities [MSMEs]

Turnover (excluding other income) does not exceed Rs. 250 Crores in immediately preceding accounting year

Borrowings (including public deposits) does not exceed Rs. 50 Crores at any time during immediately preceding accounting year

Not listed/in process of listing or

Not a Bank/Financial Institution/Insurance Company

or Not a Holding or Subsidiary of a Non-MSME

Large entity is a non-company entity that is not an MSME.

Additional criteria for exemption

Turnover (excluding other income) does not exceed Rs. 50 Crores in immediately preceding accounting year

Borrowings (including public deposits) does not exceed Rs.10 Crores at any time during immediately preceding accounting year

Note :

1. Also these should not be holding or subsidiary of any of the higher catagory entity
2. We have defined the above as Micro Entities in further slides.

Applicability of Accounting Standards:

Accounting Standards	Large Entities (Previously Level I)	Medium and Small Entities (Previously Level II)	Micro Entities (Previously Level III & IV)
AS 1 Disclosure of Accounting Policies	✓	✓	✓
AS 2 Valuation of Inventories	✓	✓	✓
AS 3 Cash Flow Statements	✓	✖	✖
AS 4 Contingencies and Events Occurring After the Balance Sheet Date	✓	✓	✓
AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	✓	✓	✓
AS 7 Construction Contracts	✓	✓	✓
AS 9 Revenue Recognition	✓	✓	✓

Applicability of Accounting Standards:

Accounting Standards	Large Entities (Previously Level I)	Medium and Small Entities (Previously Level II)	Micro Entities (Previously Level III & IV)
AS 10 Property, Plant and Equipment	✓	✓ Exemption for certain disclosures	✓ Exemption for certain disclosures
AS 11 The Effects of Changes in Foreign Exchange Rates	✓	✓ Exemption for certain disclosures	✓ Exemption for certain disclosures
AS 12 Accounting for Government Grants	✓	✓	✓
AS 13 Accounting for Investments	✓	✓	✓
AS 14 Accounting for Amalgamations	Applicable if required	Applicable if required	Applicable if required
AS 15 Employee Benefits	✓	✓ Exemption for certain disclosures	✓ Exemption for certain disclosures
AS 16 Borrowing Costs	✓	✓	✓

Applicability of Accounting Standards:

Accounting Standards	Large Entities (Previously Level I)	Medium and Small Entities (Previously Level II)	Micro Entities (Previously Level III & IV)
AS 17 Segment Reporting	✓	✗	✗
AS 18 Related Party Disclosures	✓	✓	✗
AS 19 Leases	✓	✓ Exemption for certain disclosures	✓
AS 20 Earnings Per Share	✓	✗	✗
AS 21 Consolidated Financial Statements	Applicable if required		
AS 22 Accounting for Taxes on Income	✓	✓ Should comply with specific paragraphs	✓
AS 23 Accounting for Investments in Associates in Consolidated Financial Statements	Applicable if required		

Applicability of Accounting Standards:

Accounting Standards	Large Entities (Previously Level I)	Medium and Small Entities (Previously Level II)	Micro Entities (Previously Level III & IV)
AS 24 Discontinuing Operations	✓	✖	✖
AS 25 Interim Financial Reporting	Applicable if required		
AS 26 Intangible Assets	✓	✓ Exemption for certain disclosures	✓
AS 27 Financial Reporting of Interests in Joint Ventures	Applicable if required		
AS 28 Impairment of Assets	✓	✓ Exemption for certain disclosures	✖
AS 29 Provisions, Contingent Liabilities and Contingent Assets	✓	✓ Exemption for certain disclosures	✓

Exemption / Relaxation to MSMEs

Accounting Standard	Exemption / Relaxation to MSMEs	Previously
AS 10, Property, Plant and Equipment	Para 87 relating to encouraged disclosures, such as: • Carrying amount of temporarily idle property, plant, and equipment • Gross carrying amount of fully depreciated assets that are still in use • Carrying amount of property, plant, and equipment retired from active use and not classified as held for sale • Information about assets impaired due to specific reasons.	There were no exemptions to Level II Entities.
AS 11, The Effects of Changes in Foreign Exchange Rates	Para 44 relating to encouraged disclosures, such as: • Exchange differences included in the net profit or loss for the period. • Amount of exchange differences adjusted in the carrying amount of fixed assets during the period.	There were no exemptions to Level II Entities.

Exemption / Relaxation to MSMEs

Accounting Standard	Exemption / Relaxation to MSMEs	Previously
AS 15, Employees Benefit	Para 11 to 16 – related to short-term accumulating compensated absences which are non-vesting, Para 46 and 139 – discounting not required for contributions to a defined contribution plan and termination benefits which fall due more than 12 months. Para 50 to 123 and 129 to 131 exempted for the recognition and measurement principles, presentation and disclosures in respect of accounting for defined benefit plans and other long-term employee benefits. Such entities may calculate the accrued liability under the defined benefit plans and other long-term employee benefits by reference to some other rational method.	The exemptions stated were previously available to Level II and III entities having more than 50 employees except that these entities were required to: i. actuarially determine the liability in respect of defined benefit plan and other long-term employee benefits using Projected unit credit method. ii. discount rate – govt. bond yield rate as per para 78 iii. discloser required for actuarial assumptions as per para 120(l)

Exemption / Relaxation to MSMEs

Accounting Standard	Exemption / Relaxation to MSMEs	Previously
AS 19, Leases	Para 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; 46 (b), (d) and (e) relating to disclosures as follows: For finance leases (Para 22, 37 and 38): Exemptions cover disclosures on future minimum lease payments, contingent rents, significant lease terms and gross investment less unearned income. For operating leases (Para 25 and 46): Exemptions include details of future lease payments, sublease receipts, and leasing arrangements.	Para 38 was applicable to Level II and III entities. Additionally, para 37(g) and 46 (e) were also applicable to Level II entities.
AS 22, Accounting for Taxes on Income	MSMEs must comply with AS 22 only for current tax, following its definition (Para 4.4), recognition (Para 9), measurement (Para 20), and presentation / disclosure (Para 27-28). On availing this exemption for the first time, any deferred tax assets or liabilities from the previous financial period should be adjusted against the opening revenue reserves or owner's funds in the current period.	There were no exemptions to Level II and III Entities.

Exemption / Relaxation to MSMEs

Accounting Standard	Exemption / Relaxation to MSMEs	Previously
AS 26, Intangible Assets	Disclosures related to the amortization amount (Para 90(d)(iii)), reconciliation of carrying amounts (Para 90(d)(iv)), and fully amortized intangible assets still in use (Para 98) are encouraged but not mandatory.	There were no exemptions to Level II and III entities.
AS 28, Impairment of Assets	Micro entities are exempted to comply with this standard. Other than those exempted are allowed to measure 'value in use' on the basis of reasonable estimate and exempted to para 121(g) relating to disclosure of basis for determining recoverable amounts. Para 121(c)(ii); 121(d)(i); 121(d)(ii), and 123 relating to disclosures of key assumptions, discount rates, sensitivity analysis and reconciliation of goodwill carrying amounts.	Current exemptions were available only to Level III entities. Level II entities were not exempted from disclosures in paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123.
AS 29, Provisions, Contingent Liabilities & Contingent Assets	Para 66 & 67 related to disclosures in respect of detailed movements in provisions and descriptions of provisions, timing, uncertainties, and reimbursements.	No change.

Changes in AS applicability (MSME vs Level II, III and IV)

Accounting Standard	Currently	Previously
AS 13, Accounting for Investments	Fully applicable	Level IV entities were exempted to comply with para 35 (f) of AS 13 relating to disclosures as specifically required by the relevant statute governing the enterprise.
AS 24, Discontinuing Operations	Not applicable	There were no exemptions to Level II Entities.

Transition

MSME to Non-MSME

- There is no need to revise previous period's figures. The fact that previous periods figures are not revised should also be disclosed in the notes to the financial statements.
- Disclosure to be given in financials that in previous year MSME exemptions / relaxations were availed.

Non-MSME to MSME

A Non-Company should remain MSME for 2 consecutive accounting years to avail the exemptions applicable to MSMEs.

e.g. A non-MSME entity in FY 2022-23 that transitions to MSME status in FY 2023-24 can avail the exemptions / relaxations from FY 2025-26, provided it maintains its MSME status in FY 2024-25.

Other Points

Mandatory note in financial statements:

The entity is a Micro, Small and Medium Sized Entity (MSME) and accordingly, it has complied with the Accounting Standards as applicable to an MSME.

Change in accounting policy:

The entity will have to disclose in its accounting policy about the change in its classification criteria and also disclose the exemptions / relaxations which it has availed.

Checklist:

Availment of exemptions / relaxations need to be properly documented in the AS checklist.

Common Issues

Common Issues

- Inadequate disclosures of contingent liabilities & commitments
- Disclosure of related party transaction (identification, capturing, arms length etc.)
- Classification of current and non-current assets & liabilities
- Depreciation computed using income tax method
- Disclosure of debit balance in partners capital account
- Lack of documentation of minutes of partners meeting

Common Issues

- Accounting for deferred taxes
- Employee benefit liabilities not provided for
- Incomplete disclosure of accounting policies
- Impairment assessment of trade receivables
- Loans given to group entities
- Items directly debited / credit to partners capital accounts

Common Issues

- Non-compliances with PF, ESIC laws
- Personal expenses debited to profit and loss account
- Cash basis of accounting
- Documentation as regards gifts, loans not available
- Cash expenses

- What are Financial Statements (FS)?
  - State of Affairs – Balance Sheet (BS)
  - Income Statement – St of Profit and Loss (P&L)/ Income Expenditure statement
  - Cash Flow Statement / Receipt & Payment Account
  - **Significant Accounting Polices**
  - Note to Accounts and Other notes

- Format of FS
  - Horizontal v/s Vertical
  - Under Statute (Law & Regulation)

- Are Previous Year's figures to be given?

- Method of Accounting? Sec 145 of Income Tax Act. 1961
  - Cash
  - Mercantile (Accrual)
  - ~~Hybrid~~

- Change in the Rate (Useful life)& Method of Depreciation?
  - Change in Accounting policy or
  - Change in estimate
  - Retrospective Change or Prospective

- Tax Audit u/s 44 AB of Income Tax Act, 1961
  - Audit of accounts of certain persons carrying on business or Profession
  - Accounting Standards *(GN on Tax Audits)*
  - Income Computation and Disclosure Standards (ICDS)
  - Separation of Personal Books FS with Buss/Prof for sole proprietors

- Taxation Audit Quality Review Board

- Audit Report (AR) to be issued
  - SA 700 series (general purpose financial statements)
  - SA 800 (FS prepared in accordance with a special purpose framework)

- UDIN Requirement – for AR & Form 3CD, Form 10 for Trusts etc.)

- Individual
- Proprietary Concern
- HUF
- Partnership Firm/LLP
- Trust

Their respective laws do not specify the method of accounting

A reference can be made to Sec 145 of the Income Tax Act, 1961 which states:

Sec 145(1): Income chargeable under PGBP or Income from other sources subject to provision of sub-section (2), be computed in accordance with cash or mercantile system.

- How is AS 1 compiled
  - All the significant Accounting Polices are not disclosed
  - New Stream of revenue during the year
  - Revenue is accounted as per AS 9- will not do “more explicit” disclosure is required describing in details so as that it can be understood.

- Disclose the cost formula adopted for determining the cost of inventories. In certain cases, where the company has various classes of inventories

- Inventory to be valued at lower of Cost or Net realizable value (NRV)

- Revenue to be recognized on certainty of collection and transfer of risk and reward or control. Not on dispatch of goods

- Export incentives like MEIS/SEIS are accounted on receipt basis

- Revenue in case of certain Service Income. (commission, brokerage, etc) at a point of time or over a period of time.

- Related Party disclosure to match with Tax Audit reporting Section 40A(2)(b) of Income Tax Act
- Prior Period adjustments are to be disclosed separately and not included in current year's respective account heads
- Provision for Tax in case of cash basis of accounting in case of Professional firms
- Reconciliation with 26AS
- Computation of Tax for Public charitable trust and claiming benefit u/s 11 of Income Tax Act, 1961
- Classification of assets and liabilities into current and non-current
- Cash and cash equivalents and other bank balances

Cash Basis of accounting

Cash Basis of accounting –Technical Guide

Applicability of AS - Accounting standards are applicable to the extent applicable considering the basis / method of accounting adopted by the entity

Disclosure of accounting policies - Mandatory to disclose that cash basis of accounting is followed –as fundamental accounting assumption is not followed

Revenue Recognition - In case, revenue has not been received in cash, however, tax has been deducted and deposited by the payer, in that case, revenue shall be recognized equivalent to the amount of tax deducted at source.

Government Grants - Grant shall be recognised when it has been received. The disclosure regarding nature of grants recognised in the financial statements, including non-monetary grants given at a concessional rate or free of cost shall be provided

Cash Basis of accounting

- **Employee Benefits** - Employee benefits are recognised as and when paid. The information that enables users of financial statements to evaluate the nature of employee benefit expenses shall be disclosed.
- **Borrowing Cost** - Borrowing costs shall be capitalized or expensed in the period in which they are paid.
- **Leaser accounting** - lease payments under both operating and finance lease shall be recognised as per AS 19 when paid
- **Non-Cash expenses** - Entities shall also recognise depreciation and impairment of assets as expense in profit and loss account so that the periodic net result of operations of the entity reflects the use of the asset.

Cash Basis of accounting

Taxes - tax paid for the financial year shall be recognised as expense. In case, entity has paid the tax more than the current tax for the financial year, then it shall expense off the amount in the profit or loss to the extent of actual current tax and recognise the balance amount as 'tax refund receivable' in the balance sheet.

Liabilities - liabilities for borrowings shall be recognised when cash is received

Assets -Assets are recognised as and when recognition criteria laid down in this regard is met and cash to obtain the asset has been paid.

Inventory valuation - Only paid inventory is considered / valued. Difference arising on valuation of inventories at lower of cost and net realisable value, shall also be recognized in the profit or loss account

Cash Flow - Level I noncompany entities following cash basis of accounting, shall prepare cash flow statement.

Common Issues: Cash Flow Statements

Gross disclosures for loans taken & paid

Adjustments for unrealized exchange gain/ losses

Ensure non-cash items are excluded

Reconciliation of direct taxed paid / refunds

Segregation of activities in operating, financing and investing

IND AS applicability

- Is IND AS Applicable to non-corporate entities?
- What if the non-corporate entity is a subsidiary, JV or associate of a listed company

Relaxation continued to non-corporate entities

Disclosures Not Required

Balance sheet

- Reserves represented by earmarked investment need to be termed as Fund
- Continuing default in Borrowings

Others

- Virtual Currency
- Details of benami property
- Wilful defaulter
- Struck off companies
- Financial Ratio

Legal provisions related to Companies Act

- Reporting on CARO
- Audit Trail
- Related party transactions including loan taken and given from related parties
- Managerial remuneration (partner remuneration is still governed by the Income Tax Act)
- Mandatory CSR
- Mandatory internal audit

Recent Developments

Recent Developments

- NFRA Finalises and recommended auditing standards to the central government Reporting for notifying under section 34 A of the LLP (Amendment) Act 2021

- 40 standards on auditing and related standards on quality management have been proposed by NFRA

- These are recommended to be effective 1st April 2026

- Exposure draft on standards on auditing issued by ICAI (open for public comments up to 1st May 2025

Conclusion

Role of Auditors

1
- Formats of FS to be shared with clients for preparation and comparative figures

2
- Audit procedure to be changed to ensure compliances with GN

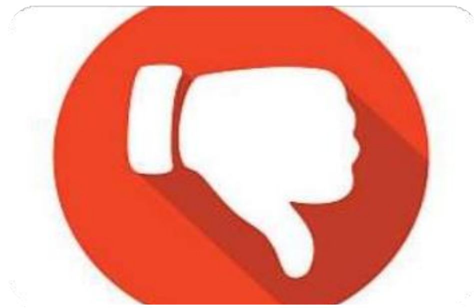
3
- In case of special purpose FS prepared for tax purpose – if such additional disclosures are not given then appropriate remark to be added in audit report

4
- In case of general purpose FS – to make judgement about issuing qualifying report for non-compliance with GN

Effect on the Entity

Increase in credit worthiness

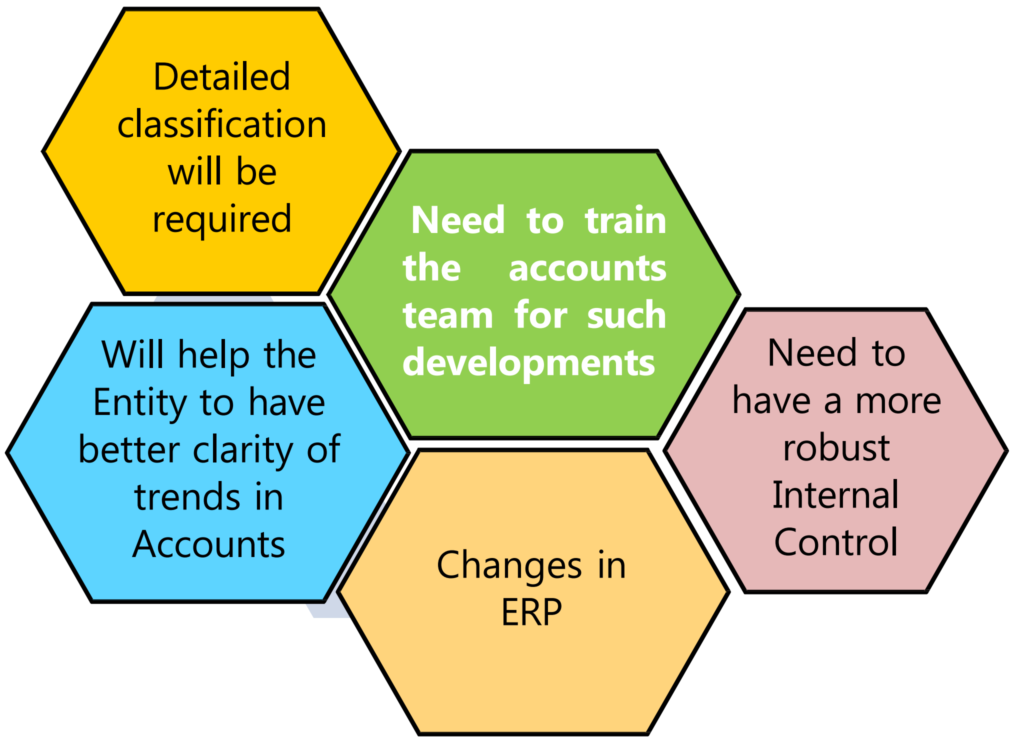
Ease in statutory compliances and with Regulatory Bodies



Increase in compliance burden

Difficult for very Small Entities to comply such detailed format

Client Perspective



Q & A Session

Thank you

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