THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
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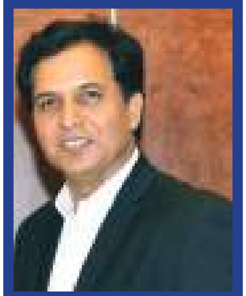
EASTERN INDIA REGIONAL COUNCIL

ICSI EIRC NEWSLETTER

March 2018 Issue

"Hope is the companion of power, and mother of success; for who so hopes strongly has within him the gift of miracles"
*– **Samuel Smiles***

CHAIRMAN'S MESSAGE



Dear Professional Colleagues,

It is rightly said that Hope is a waking dream. Hope is simple four letter word but it sees the invisible, feels the intangible and achieves even that which seems impossible. And this hope fuels all of us to keep moving on and on.

The month of March, the closing month of the financial year was full of hustle bustle of various academic training programmes for our students and members. Different academic and training programmes for students were also organised in this month i.e. MSOP and other academic programmes. Campus placement for the students seeking Management Trainees was organised on 21st March. Apart from this, we carried forward the baton and had a fruitful discussion with HSBC Bank for placement of our members and students.

We celebrated "**International Women's Day**" and "**Holi Meet**" at ICSI-EIRC House on 8th March with our members and students, where officials from Ministry of Corporate Affairs also graced the occasion.

We are now focused on Capacity Development of our members and two such programmes were organised in this month. Firstly a Full Day programme on "**FEMA Regulations and Drafting Skills of Legal Opinions and Documents**" held on 17th March at The Lalit Great Eastern Kolkata and Two Days training programme on GST – "**Understand GST: A Practical Approach**" was organised on 23rd and 24th March, 2018 at ICSI-EIRC House, Kolkata.

A joint programme with Indian Chamber of Commerce (ICC) on "**Bankruptcy Code and Corporate Governance: Impact upon India**" was also organised on 24th March.

With an objective to enhance the capacity of our members and students and to gain an experience in advocacy, to hone their oral advocacy skills in the legal field and also to learn the nuances of advocacy before they appear for cases, EIRC has established **Moot Court** in EIRC House.

The trend of niche training or Capacity Development Programmes will continue in the forthcoming months where the knowledge session on different relevant topics such as IBC, Boards Performance Report and Indian Accounting Standards, to name a few, will be organised.

I take this opportunity to acknowledge the constant support and guidance from my colleagues in Regional Council, Central Council Members and all my Predecessors at EIRC, in all my initiatives. I also acknowledge the efforts of EIRO officials under the leadership of Shri DVNS Sarma in giving their best to implement these initiatives.

The future is as bright as your hopes are. Where there is Hope there is Faith and where there is Faith miracles happen.
Please feel free to share your views and suggestion to me. My coordinates are given below.

With warm regards,

CS Ashok Purohit
Chairman, EIRC of ICSI
Email: chairman.eirc@icsi.edu; ashokp@emamigroup.com;

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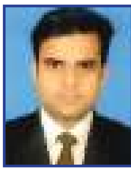
Brief Report of the Activities of ICSI - EIRC from 01.03.2018 to 31.03.2018

Date	Name of Programme	Venue
08.03.2018	Celebration of International Women's Day	ICSI-EIRC House
08.03.2018	Exclusive (Full Day) PDP programme for Students	ICSI-EIRC House
08.03.2018	Investor Awareness Programme	ICSI-EIRC House
08.03.2018	Holi Meet	ICSI-EIRC House
09.03.2018 to 10.03.2018	2 Days Professional Induction Programme	ICSI-EIRC House
12.03.2018	127th Management Skills Orientation Programme	ICSI-EIRC House
12.03.2018 to 14.03.2018	3 Days Professional e-Governance Programme	ICSI-EIRC House
13.03.2018	Investor Awareness Programme	Harimohan Ghosh College, Kolkata
17.03.2018	Capacity Development Programme on FEMA Regulation and Drafting Skills of Legal Opinions and Documents	The Lalit Great Eastern, Kolkata
17.03.2018	Induction Programme for Newly Registered Students	ICSI-EIRC House
20.03.2018 to 24.03.2018	5 Days Professionals Skills Development Programme	ICSI-EIRC House
21.03.2018	Campus Placement for Students seeking Management Training	ICSI-EIRC House
23.03.2018 to 24.03.2018	Understand GST : A Practical Approach (Two Days Training cum Workshop)	ICSI-EIRC House
23.03.2018	Meeting with HSBC Officials for Placement	HSBC Office
24.03.2018	Conference on "Bankruptcy Code & Corporate Governance : Impact upon India" (joint programme with ICC)	ICC Auditorium, Kolkata
26.03.2018 to 31.03.2018	5 Days Professional Entrepreneurship Development Programme	ICSI-EIRC House

EIRC has announced its Annual Membership Scheme (AMS) for the year 2018.
Members can visit the following link for AMS detail and registration:
https://www.icsi.edu/eiro/Home.aspx

INDIAN ACCOUNTING STANDARDS- AN OVERVIEW



Rahul Maharshi
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Introduction

Indian Accounting Standards ("Ind AS") are the set of accounting standards which are converged with the International Financial Reporting Standards (IFRS). Ind AS are principle-based standards which typically avoid the rule-book mentality and promote substance over form. Ind AS are prescribed by the Central Government under section 133 of the Companies Act, 2013 which have been further notified by Ministry of Corporate Affairs ("MCA") vide Companies (Indian Accounting Standards) Rules, 2015. Ind AS contain the Recognition, Presentation and Measurement principles on various accounting issues drawn in parity with IFRS.

The International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) (collectively "IFRS") are the globally recognized Accounting Standards issued by International Accounting Standards Board (IASB). With the objective of bringing the global financial reporting framework in harmony with IFRS, more than 120 countries and reporting jurisdictions permit or require the use of IFRS and many other countries are replacing their national standards with IFRS. All major economies have established timelines to converge with or adopt IFRSs in the near future.

In pursuance of G-20 commitment given by India, it has opted to converge with IFRS, not adopt it. Precisely, 'Convergence' can be considered "*to design and maintain national accounting standards in a way that the financial statements prepared in accordance with the national accounting standards draw unreserved statements of compliance with IFRSs*".

('Concept paper on convergence with IFRSs in India' issued by ICAI)

The IASB has accepted that adding disclosure requirements or removing optional treatments do not create non-compliance with IFRSs. That is, if a country wants to add a disclosure or remove an optional treatment that is imperative for the economy or the local environment of that country, it will not amount to non-compliance with IFRSs.
The sequence of Ind AS are aligned with IAS and IFRS respectively.

Roadmap for implementation

The MCA had announced the Roadmap for implementation of Ind AS vide notification G.S.R.111(E) dated 16 Feb 2015. Further, In January 2016, MCA provided the roadmap for implementation of Indian accounting standard (Ind AS) on scheduled commercial banks (excluding regional rural banks [RRBs]), insurers/insurance companies and NBFCs. The MCA also clarified that notwithstanding the Ind AS roadmap for companies, which were earlier laid down in the month of February 2015, the holding, subsidiary, joint venture or associate companies of banks would also prepare Ind AS financial statements for accounting periods beginning 1 April 2018 with comparatives for the period ending 31st march 2018 or thereafter.

Insurers/Insurance companies were required to prepare Ind AS based financial statements for accounting periods beginning from April 1, 2018 onwards with one year comparatives.
However, The Insurance Regulatory and Development Authority of India (IRDAI) vide circular ref: IRDA/F&A/CIR/ACTS/146/06/2017 approved the regulatory override as provided in Rule 4 of Companies (Indian Accounting Standards)(Amendment) Rules,2016 consequently the implementation of Ind AS in the Insurance Sector in India was deferred for a period of two years hence, the same to be implemented effective 2020-21.

The Implementation of Ind AS is being done in a phased manner as below:

Companies other than Banks, NBFCs and Insurance Companies

Phase I	**1st April 2015 or thereafter:** Voluntary basis for all companies (with comparatives)	
	1st April 2016: Mandatory Requirement	
	(a)	Companies Listed/in process of listing on Stock Exchanges in India or Outside India having a net worth of rupees five hundred crore or more;
	(b)	Unlisted companies having net worth of rupees five hundred crore or more;
	(c)	Holding, Subsidiary, Associates and Joint Ventures of (a) and (b).
Phase II	**1st April 2017: Mandatory Requirement**	
	(a)	All companies listed/in the process of listing in India/outside India on any stock exchange having net worth of less than five hundred crore;
	(b)	Unlisted companies having net worth of rupees two hundred and fifty crore or more but less than rupees five hundred crore;
	(c)	Holding, Subsidiary, Associates and Joint Ventures of (a) and (b).

- Companies not covered by the above roadmap shall apply existing Accounting Standards notified in Companies (Accounting Standards) Rules, 2006
- Companies listed on SME exchange are not required to apply Ind AS.
- Once Ind AS are applicable, an entity shall be required to follow the Ind AS for all subsequent financial statements.

Non-Banking Financial Companies (NBFC's)

Non-Banking Financial Companies (NBFCs)	
Phase I	**From 1st April, 2018 (with comparatives for the periods ending on 31st March, 2018)**
	• NBFCs having net worth of rupees five hundred crore or more (whether listed or unlisted)
	• holding, subsidiary, joint venture and associates companies of above NBFC other than those already covered under corporate roadmap shall also apply from said date

Phase II	From 1st April, 2019 (with comparatives for the periods ending on 31st March, 2019)
	• NBFCs whose equity and/or debt securities are listed or in the process of listing on any stock exchange in India or outside India and having net worth less than rupees five hundred crore
	• NBFCs that are unlisted companies, having net worth of rupees two-hundred and fifty crore or more but less than rupees five hundred crore
	• holding, subsidiary, joint venture and associate companies of above other than those already covered under the corporate roadmap

- NBFCs having net worth below two-hundred and fifty crore shall not apply Ind AS.
- Voluntary adoption of Ind AS is not allowed (allowed only when required as per roadmap)
- Applicable for both Consolidated and Individual Financial Statements

Notified Ind ASs with key takeaways

Ind AS 1	**Presentation of Financial Statement** ✓ Components of financial statements ✓ True and fair presentation and compliance with Ind ASs ✓ Statement of profit and loss having two parts viz. profit or loss and other comprehensive income ✓ Expense recognition on the basis of nature, not function.
Ind AS 2	**Inventories** ✓ Inventory for service provider to be included in the scope for eg, cost of personnel, wages and other attributable overheads. ✓ Deferred credit purchase i.e. bifurcation of finance cost from the part of inventory in case when credit period allowed is more than normal credit period ✓ Treatment of Machinery spares provided ✓ Standard cost method and retail method for measurement of inventories
Ind AS 7	**Statement of Cash Flows** ✓ Inclusion of Bank o/d which is repayable on demand as part of Cash/cash equivalent ✓ More focused on Direct method ✓ No requirement for a cash flow relating to extraordinary items separately ✓ Disposal of stake in subsidiary not resulting in loss of control to be covered in financial activities
Ind AS 8	**Accounting Policies, Changes in Accounting Estimates and Errors** ✓ Change in Accounting policy for better presentation or if change is to apply the Ind AS requirement (earlier change was only brought as per requirement of statutory compliance) ✓ Change in accounting to be retrospectively accounted for unless impracticable. Cumulative profit/loss to be adjusted with retained earnings by corresponding change in value of asset/liability and the effect to be provided in the statement of changes in equity and not profit and loss ✓ Prior period items to be rectified retrospetively and effect of such change on asset and liability to be adjusted in retained earnings and not profit or loss account. ✓ Consistency in applying selected accountin policy
Ind AS 10	**Events after the Reporting Period** ✓ Material non adjusting event to be disclosed in the notes to accounts ✓ Declared dividend not to be shown as liability, to be disclose in notes to accounts and reduce cash balance and reserves and surplus hence to be adjusted from statement of changes in equity ✓ Non cash dividend- to be recorded as liabili ty(adjusting event), measured and recorded at fair value by adjusting retained earnings, every year re-measured at fair value and in the year of settlement the difference between liability amount and carrying amount of profit and loss to be provided in profit and loss account of that year.
Ind AS 12	**Income Taxes** ✓ Based on balance sheet approach i.e. calculation and adjustment of "temporary difference" and for every temporary difference, carrying amount of asset and liability and its tax base required to be ascertained. ✓ If related transaction is in comprehensive income part of P/L then respective deferred tax will also be adjusted in comprehensive income part of P/L, if the same is in OCI then its deferred tax will also be presented in OCI ✓ Deferred taxes to be both current and non-cur rent in nature, accordingly to be presented.
Ind AS 16	**Property, Plant and Equipment** ✓ PPE to be recognized in books if : (a)Probability of future economic benefit to flow to the enterprise; and (b)Respective cost can be measured reliably. ✓ Initial expenditure and subsequent expenditure to be treated in same manner. ✓ Component approach to be applied in recognition of PPE ✓ Asset retirement obligation to be considered at the beginning and as per present value technique, the corresponding liability amount

	to be increased every year using effective interest rate (EIR) and accordingly settlement to be made at the time of retirement ✓ Capitalization of Inspection Cost (also decapitalization of existing amount of earlier inspection cost) ✓ After initial recognition of a PPE Ind AS 16 requires subsequent measurement at : •The Cost Model- Asset carried at cost less accumulated depreciation and impairment losses •The Revaluation Model: The asset is carried at a revalued amount, being its fair value at the date of the revaluation, less subsequent depreciation, provided that fair value can be measured reliably ✓ Useful life, residual value and method of depreciation to be reviewed each year and the effect should be prospective and treated as change in accounting estimate
Ind AS 17	**Leases** ✓ Inclusion of Initial direct cost of the lessor in calculation of fair value of asset ✓ Focus on commencement of lease than incep tion of lease ✓ Lessors and lessees recognize incentives granted to a lessee under an operating lease as a reduction in lease rental income or expense over the lease term ✓ Where the escalation of lease rentals is in line with the expected general inflation so as to compensate the lessor for expected inflationary cost, the increases in the rentals shall not be straight lined.
Ind AS 19	**Employee Benefits** ✓ Inclusion of whole time directors and part time directors ✓ Actuarial gains and losses to be accounted for in OCI ✓ Discount rate to be used for foreign subsidiary associates JV to be high quality corporate bond rate if available, or else government bond rate to be used ✓ Presentation of three components of "defined benefit cost": •Service cost(current, past, curtailment loss / (gain), and settlement loss / (gain) in profit or loss •Net Interest (refer above) in profit or loss •Re-measurements (actuarial gains, the return on plan assets (excl. net interest), change in the effect of the asset ceiling) in other comprehensive income (OCI).

Ind AS 20	**Accounting for Government Grants and Disclosure of Government Assistance** ✓ Generally Government grant to have one or more obligation attached to it, hence to be recognized as income over a period of time in which the entity incurs the cost in meeting the obligation or if no cost is involved then when the entity meets the obligation ✓ A grant on depreciable/non-depreciable asset to be considered as a deferred income, and to be considered in P/L over a period of time in ac cordance with the patterns in which the obligations are met ✓ Fair value of a loan received from government at concessional or zero interest rate needs to be compared with actual amount and difference to be considered as a grant, treated as deferred income.
Ind AS 21	**The Effects of Changes in Foreign Exchange Rates** ✓ Exclusion of Financial instruments such as forward contract from its purview and provided in Ind AS 9 Financial Instruments ✓ No distinction between integral and non-inte gral foreign operations ✓ Concept of functional currency and presenta tion currency introduced ✓ Translation difference to be provided in OCI
Ind AS 23	**Borrowing Costs** ✓ Considering Substantial period of time left at the discretion of the management ✓ No mention of amortization of other ancillary cost, discounts and premium related to borrowing, since Ind AS uses Effective Interest Rate (EIR) Method and considers the loan to be a Held to maturity (HTM) Liability ✓ Capitalisation rate of the borrowing to be disclosed in the notes to accounts
Ind AS 24	**Related Party Disclosures** ✓ Alteration in the definition of close members ✓ KMP of the parent to be included in Related party relationship ✓ Two Joint Venture(JV) of the same co-venturer are related parties to each other ✓ Associate and JV of the same party are related ✓ Defined benefit Plans (enterprises managing retirement benefit plans of the employees of an entity) of an entity to be included in the list of related parties. ✓ Remuneration to Key Management Personnel to be disclosed section wise ✓ Meaning of Control, significant Influence, joint control derived from Ind AS 110,Ind AS 28 and Ind AS 111 respectively

Ind AS 27	**Separate Financial Statements** ✓ Parent required to prepare separate financial if required by law ✓ Investment in Subsidiaries, Associates and JV can be accounted for by following : At Cost As per Ind AS 109 Financial Instruments ✓ Dividend received from Subsidiary JV Associate are recognized when the right to receive dividend is established or accounted for in the P/L if the investment is accounted for at cost or at fair value
Ind AS 28	**Investments in Associates and Joint Ventures** ✓ Applies to all entities that are investors with joint control of, or significant influence over, an investee. ✓ Significant influence defined as the power to participate in the financial and operating policy decisions of the investee but it is not control or joint control of those policies
	✓ Equity method is required to be used from the date significant influence arises, to the date sig| nificant influence ceases. ✓ The equity method is a method of accounting: •That initially recognises an investment in an investee at cost •Thereafter adjusts the investment for the post-acquisition change in the investor's share of net assets of the investee (Ind AS 28.2) •The profit or loss of the investor includes the investor's share of the profit or loss of the investee and •The Investor's other comprehensive income includes its share of the investee's other comprehensive income
Ind AS 29	**Financial Reporting in Hyperinflationary Economies** ✓ Applied to the individual financial statements, and the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy ✓ Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following: •The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency •The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency ✓ The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period
Ind AS 32	**Financial Instruments: Presentation** ✓ Financial Instrument defined as: •A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity ✓ Compound instruments that have both liability and equity characteristics are split into two components. ✓ The split is made on initial recognition of the instruments and is not subsequently revised. ✓ The equity component of the compound instru ment is the residual amount after deducting the fair value of the liability component from the fair value of the instrument as a whole. No gain / loss arises from initial recognition ✓ Financial asset and a financial liability are offset only when there is a legally enforceable right to offset and an intention to settle net or to settle both amounts simultaneously.
Ind AS 33	**Earnings per Share** ✓ No requirement of reporting EPS including extraordinary items and EPS excluding extraor dinary items separately. ✓ Presentation of separate EPS for continuing operations and discontinuing operations
Ind AS 34	**Interim Financial Reporting** ✓ prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period ✓ Interim period – financial period shorter than full year ✓ Interim financial report – either a complete (as described in IND AS 1) or condensed set of financial statements
Ind AS 36	**Impairment of Assets** ✓ Ind AS 36 also to apply to impairment of Invest ment in associates subsidiaries and J.V. ✓ Goodwill to be put to test of impairment every year, not amortised. Prohibition on reversal of impairment of Goodwill ✓ Goodwill to be allocated with particular Cash Generating Unit (CGU)

Ind AS 37	**Provisions, Contingent Liabilities and Contingent Assets** ✓ Provisions are recognised when: • The entity has a present legal or construc tive obligation as a result of a past event • It is probable that an outflow or economic benefits will be required to settle the obligation; and • A reliable estimate can be made of the amount of the obligation. ✓ Contingent Liability are: • A possible obligation that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in the control of the entity; or • A present obligation that arises from past events that is not recognised because it is not probable that an outflow of resources embodying economic benefits will be re quired to settle the obligation or the amount of the obligation cannot be mea sured reliably. ✓ Contingent asset are : • possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity ✓ Provisions are measured at the best estimate of the expenditure required to settle the present obligation at reporting date
Ind AS 38	**Intangible Assets** ✓ Discount/premium related to borrowing not to be recorded since EIR method followed, there fore, no amortization is possible for such expenses as per Ind AS 38 ✓ An intangible asset with infinite life must be put to test of impairment every year ✓ Legal life longer than useful life, still useful life to be used for purpose of amortization ✓ Intangibles to be subsequently measured at either: ✓ Cost Model ✓ Revaluation Model1
Ind AS 40	**Investment Property** ✓ No existing accounting standard prevails to cater the subject. ✓ Provides detailed guidelines on the accounting of Investment Property. ✓ Initially to be valued at cost, subsequently to be valued using cost model. ✓ Revaluation model is not allowed however, entity is required to estimate the fair value of the asset for disclosure purposes.
Ind AS 41	**Agriculture** ✓ No existing accounting standard prevails to cater the need of the subject ✓ Ind AS 41 to cover: •Biological assets •Agricultural produce •Government grants ✓ No depreciation accounting required since the assets are already measured at fair value.
Ind AS 101	**First-time Adoption of Indian Accounting Standards** ✓ Ind AS 101 applies to the first set of financial statements that contain an explicit and unre served statement of compliance with IND ASs ✓ Ind AS 101 applies to any interim financial statements for a period covered by those first financial statements that are prepared under IND ASs ✓ Previous GAAP is defined as the basis of accounting that a first-time adopter used for its reporting requirements in India immediately before adopting IND AS ✓ Recognise all assets and liabilities whose recognition is required by IND ASs ✓ Derecognise assets and liabilities if IND ASs do not permit such recognition
Ind AS 102	**Share-based Payment** ✓ No specific accounting standard was there in the respective subject (However, Guidance note was there for Accounting on employees share-based payments) ✓ Equity-settled, in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options) ✓ Cash-settled, in which the entity receives goods or services by incurring a liability to the suppli er that is based on the price (or value) of the entity's shares or other equity instruments of the entity ✓ Transactions in which the entity receives goods or services and either the entity or the supplier of those goods or services have a choice of settling the transaction in cash (or other assets) or equity instruments ✓ Ind AS 102 also covers share based payment transactions with non-employees

Ind AS 103	**Business Combinations** ✓ Only one method of Amalgamation: •Acquisition method (similar to Purchase Method) ✓ Contingent considerations to be considered in case of amalgamation ✓ Assets acquired in case of a Business combina tion to be recorded at Fair value only ✓ Concept of legal acquirer and accounting acquir er introduced in cases of reverse merger ✓ Consideration of non-controlling interest in a business combination
Ind AS 104	**Insurance Contracts** ✓ No such guidelines were there in erstwhile accounting standards ✓ Premium that the insurance company receives will be treated as income ✓ Insurance company not to recognize any liability for possible claim which is not in existence as at the end of the reporting period eg. Catastrophe provision. ✓ The insurance company will not offset its reinsurance asset against on insurance liability. Both needs to be shown separately.
Ind AS 105	**Non-current Assets Held for Sale and Discontinued Operations** ✓ Cash-generating unit – The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets ✓ Discontinued operation – A component of an entity that either has been disposed off or is classified as held for sale and either: • Represents a separate major line of business or geographical area • Is part of a single co-ordinated plan to dis pose of a separate major line of business or geographical area of operations • Is a subsidiary acquired exclusively with a view to resale ✓ Applies to all recognised non-current assets and disposal groups of an entity that are: - held for sale; or - Held for distribution to owners
Ind AS 106	**Exploration for and Evaluation of Mineral Resources** ✓ An entity applies IND AS 106 to exploration and evaluation expenditures that it incurs At recognition, exploration and evaluation assets are measured at cost ✓ An entity does not apply IND AS 106 to expen ditures incurred: -Before the exploration for and evaluation of mineral resources, such as expenditures incurred before the entity has obtained the legal rights to explore a specific area -After the technical feasibility and commer-cial viability of extracting a mineral resource are demonstrable ✓ Quantitative disclosure • Summary of quantitative data about expo-sure to risk based on information given to key management • Concentrations of risks

Ind AS 107	**Financial Instruments: Disclosures** ✓ Qualitative disclosure • Exposure to risk and how it arises • Objectives, policies and processes for man-aging risk and method used to measure risk
Ind AS 108	**Operating Segments** ✓ Role of Chief Operating Decision Maker (CODM) in assessing the prospective operating segments ✓ Interest not be considered as part of segmental expense as its considered as finance item ✓ Segment reporting to be done for operating segments, reporting for geographical area which is less extensive is to be done separately
Ind AS 109	**Financial Instruments** ✓ Ind AS 109 introduces a single classification and measurement model for financial assets, dependent on both: • The entity's business model objective for managing financial assets • The contractual cash flow characteristics of financial assets ✓ Ind AS 109 removes the requirement to separate embedded derivatives from financial asset host contracts (it instead requires a hybrid contract to be classified in its entirety at either amortised cost or fair value) Separa tion of embedded derivatives has been retained for financial liabilities (subject to criteria being met) ✓ Financial Assets are classified as either: (1) Amortised cost (2) Fair value through profit or loss (3) Fair Value through other comprehensive income
Ind AS 110	**Consolidated Financial Statements** ✓ Mandate on the parent to prepare Consolidated Financial Statements ✓ Control to arise when investor has: • Power over the investee • Rights to variable returns • The ability to affect those returns ✓ Definition of control is Principle based, not rule based ✓ Ind AS 110 does not exclude a subsidiary working under severe long term restrictions or a subsidiary with temporary control from consolidation requirements ✓ Consolidation of ESOP trust required in most cases.
Ind AS 111	**Joint Arrangements** ✓ Ind AS 111 applies to all parties subject to a joint arrangement. ✓ A joint arrangement: • Binds the parties by way of contractual agreement (does not have to be in writing, instead it is based on the substance of the dealings between the parties) • Gives two (or more) parties joint control. ✓ Joint arrangements are classified either as: • Joint operation - parties have rights to the as-sets, and obligations for the liabilities of the JA

	•Joint venture - parties have rights to only the net assets of the JA.
Ind AS 112	**Disclosure of Interests in Other Entities** ✓ Applied by entities that has an interest in: Subsidiaries; joint arrangements, associates; and unconsolidated structured entities. Ind AS 112 does not apply to: • Post-employment benefit plans or other long-term employee benefit plans to which IND AS 19 Employee Benefits applies • Separate financial statements, where IND AS 27 Separate Financial Statements applies • An interest held by an entity that participates in, but does not have joint control of, a joint arrangement unless that interest results in significant influence over the arrangement or is an interest in a structured entity. • Interests accounted for in accordance with IND AS 109 Financial Instruments, except for: - Interests in an associate or joint venture measured at fair value as required by IND AS 28 Investments in Associates and Joint Ventures. - When that interest is an interest in an unconsolidated structured entity
Ind AS 113	**Fair Value Measurement** ✓ One stop solution to address the question of how to calculate fair value ✓ Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant on the measurement date ✓ Fair value to be a market based measurement and not entity specific measurement ✓ Concept of market participant, highest and best use (for non-financial assets) to be considered ✓ Maximizing the use of observable inputs ✓ Fair value hierarchy to categorize the inputs to valuation techniques
Ind AS 114	**Regulatory Deferral Accounts** ✓ An entity within the scope of Ind AS 114 is able to make a voluntary irrevocable election in its first annual Ind AS financial statements wheth er or not to recognise regulatory deferral balances in accordance with Ind AS 114 ✓ Changes are only permitted if they result in the financial statements being either: • More relevant and no less reliable, or • More reliable and no less relevant

Conclusion

With the overall slogan of "Substance over Form", and promoting "Fair Value Accounting" and an aim to make the financial statements more transparent and just, the Indian Accounting Standards (Ind AS) saw dawn after a long stormy night beginning from the commitment at the G-20 Summit held in Pittsburgh in 2009 till the Union Budget Speech of 2014-15 of the Finance Minister expressing the urgent need to converge the current accounting standards of India (GAAP) with the International Financial Reporting Standards (IFRS). The effects on the financial statements of the entities currently preparing Ind AS compliant financial statements have been positive as well as negative, due to choices available to the entities vide first-time adoption. The present and forthcoming financial year shall provide a clearer picture on how the evolution in the financial reporting structure in India is taking shape.

DIRECTOR'S REPORT

Baishakhee Maitra
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INTRODUCTION

In most countries including countries in Europe, UK , Singapore, etc Directors Report is a vital way of disclosing Company's information to Shareholders . In India it is mandatory under Regulatory provisions to forward Directors Report to the member of a company , along with Annual Financial Statement .

WHY DIRECTOR'S REPORT REQUIRED

The Directors Report arose out of a general move for greater transparency in corporate governance. It is useful to find out issues such as whether the company has good finances, whether the market has potential, and whether the business has the structural capacity to expand into new opportunities. It helps the shareholders to make informed decisions when casting their votes at annual or other meetings, the Directors' Report provides essential minimum standard of information about a company.

DIRECTORS REPORT AS PER INDIAN CONTEXT

In India there are certain disclosures which are mandatory to be disclosed in the Board's Report. Further, certain additional disclosures, as applicable, are also required to be made in the Board's Report under various other enactments viz. SEBI (Listing Obligations and Disclosure Requirements) Regulations, SEBI (Share Based Employee Benefits) Regulations, Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 etc.

BASIS OF PREPARATION.

The Board's Report shall be prepared based on the Standalone Financial Statement of the Company and the report shall contain a separate section wherein a report on the performance and financial position of each of the following included in the consolidated financial statement is presented:
1)Subsidiaries
2)Associates
3)Joint Venture companies

SIGNING OF BOARD'S REPORT

As per Section 134(6) of the Companies Act'2013 Board's Report and annexure thereto shall be signed by
i. its 'CHAIRPERSON' if he is authorized by Board of director; Where he is not so authorized by,
ii. At least 2 (Two) Director, one of whom shall be a Managing Director.
iii. If there is no Managing Director then by Two Directors.

APPROVAL OF BOARD'S REPORT

Under Section 179(3) of the Companies Act 2013 Approval of Board's Report shall be done in Meeting of the Board of Directors only and the same needs to be filed with ROC in Form MGT:14 within 30days of its approval however Private companies are exempted from filling the same with ROC. Unlike provisions contained under Companies Act 2013 now under Companies (Amendment) Act 2017under Second Proviso to Section 173(2)- where there is quorum in a meeting through physical presence of directors, any other director may participate through video conferencing or other audio visual means in such meeting (i.e where one of the Agenda is approval of Board's Report)

MATTERS TO BE DEALT WITH IN DIRECTORS REPORT

The Directors are at liberty to put any matter which they feel prudent and behind which there is an intention to explain to shareholders the overall position of the company its operation and business scope The various disclosures ,provisions etc are discussed as under:

Under Companies Act 2013 and any amendment thereto

- Section 92(3) read with Section 134(3)(a) -the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed
- Section 134(3)(b) Number of Meeting of the Board during the financial year
- Section 134(3)(c) & Section 134(5) Director Responsibility Statement

The Directors' Responsibility Statement shall state that—

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the F.Y. and of the profit and loss for that period;
(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
(d) the directors had prepared the annual accounts on a going concern basis;
and
(e) the directors, in the case of a **listed company**, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation.—For the purposes of this clause, the term "internal financial controls" means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

- **Section 134(3)(ca) vide Companies Amendment Act, 2015** Details in respect of frauds reported by auditors under subsection (12) of section 143 other than those which are reportable to the Central Government
- **Section 134(3)(d)** Statement on declaration given by independent directors under sub-section (6) of section 149 only **applicable to certain companies**
- **Section 134(3)(e)** Nomination and Remuneration policy of company on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178; **Applicable on company covered under section 178(1)**
- **Section 134(3)(f)** Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in auditor report and by company secretary in practice in his secretarial audit report.
- **Section 134(3)(g)** Particulars of loans, guarantees or investments under section 186
- **Section 134(3)(h)** Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in Form AOC-2
- **Section 134(3)(i)** The state of the company's affairs
- **Section 134(3)(J)** The amounts, if any, which it proposes to carry to any reserves
- **Section 134(3)(k)** The amount, if any, which it recommends should be paid by way of dividend
- **Section 134(3)(l)** Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the F.Y. of the company to which the financial statements relate and the date of the report;
- **Section 134(3)(m)** Particulars of the conservation of energy, technology absorption, foreign exchange earnings and outgo Contents are mentioned in Rule 8(3) of of the Companies (Accounts) Rules, 2014.
- **Section 134(3)(n)** 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
- **Section 134(3)(o)** The details about the Corporate social responsibility policy (CSR Policy) developed and implemented by the company and initiatives taken during the year **(Only for applicable companies)**
- **Section 134(3)(p)** 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.(Applicable to certain companies)
- **Section 134(3)(q)** Where disclosures referred to in section 134(3) have been included in the financial statements, such disclosures shall be referred to instead of being repeated in the Board's report: Provided further that where the policy referred to in clause (e) or clause (o) is made available on company's website, if any, it shall be sufficient compliance of the requirements under such clauses if the salient features of the policy and any change therein are specified in brief in the Board's report and the web-address is indicated therein at which the complete policy is available
- **Rule 8(5)(i) of The Companies(Accounts) Rules'2014** Separate section on the performance and financial position of each of the subsidiaries, associates and joint ventures companies included in the consolidated financial statements.
- **Rule 8(5)(i) of The Companies(Accounts) Rules'2014** Financial Summary and Highlight for the F.Y. ending 31st March.
- **Rule 8(5)(ii) of The Companies(Accounts) Rules'2014** of Change in nature of business, if applicable
- **Rule 8(5)(iii) of The Companies(Accounts) Rules'2014** read with Section 168 Details of Director or KMP appointed/resigned during the year, if applicable
- **Rule 8(5)(iv) of The Companies(Accounts) Rules'2014** The name of Company who have become or ceased to be its subsidiaries, joint ventures or associates companies during the year, if applicable
- **Rule 8(5)(v) of The Companies (Accounts) Rules'2014** read with read with Chapter V Details relating to deposits
  - accepted during the year
  - oremained unpaid or unclaimed as at the end of the year.
  - whether there has been any default in repayment of deposits or pay ment of interest thereon during the year and if so, number of such cases and total amount involved:
    - (i)at the beginning of the year
    - (ii)maximum during the year
    - (iii)at the end of the year

Also the details of deposits which are not in compliance with the requirement of Chapter V of the Act.

- **Rule 8(5)(vii) of The Companys(Accounts) Rules '2014** Details of Significant and Material Orders passed, impacting the going concern status and company's operation in future, by Regulators or courts or tribunals
- **Rule 8(5)(viii) of The Companys(Accounts)** Rules Details of adequacy of Internal Financial Control w.r.t the Financial Statement
- **Section 67(3)** Disclosure of voting rights not exercised directly by employees in respect of shares to which any scheme relates(Names of employees, reasons for not voting directly, names of person who is exercising such voting rights, number and percentage of shares, resolution on which votes casted and manner of casting of votes etc.
- **Rule 8 &12 of The Companies (Share Capital &Debenture)Rules2014** Disclosure about Sweat Equity shares and ESOP Scheme
- **Section 149(10)** Disclosure about re-appointment of Independent Directors
- **Section 131** Reason for voluntary revision of financial Statement or Board report, if applicable
- **Section 177(8)** Composition of Audit Committee and if board has not accepted any recommendation of audit committee, reasons for same.
- **Section 177(10)** Details of establishment of Vigil Mechanism, if applicable.
- **Section 197(14)** Details of managing or whole-time director who is in receipt of any commission from the company and also receiving any remuneration or commission from any holding company or subsidiary company of such company, if applicable.
- **Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel)Rules ,2014** Every listed companys hall specify the ratio of the remuneration of each director to the median employee's remuneration and such other details as provided in Rule 5(1).

Rule 5 (2) of Companies (Appointment and Remuneration of Managerial Personnel)Rules ,2014 and of Chapter XIII Every listed company shall include a statement (refer sub-rule 3) showing the names of top ten employees in terms of remuneration drawn and the name of other employees fulfilling certain criteria

- **Section 204(1)** Secretarial Audit Report in Form MR-3 shall be annexed with the Board's Report APPLICABILITY Provisions related to Secretarial Audit are applicable on certain companies

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013 ETC.

Under Section 22 & 28 of the Sexual Harassment of Women at the workplace (Prevention, Prohibition & Redressal) Act, 2013 a company having women employee must disclose Number of complaints received and disposed off during the year. The company should have an Anti Sexual Harassment policy in line with the requirement of the Act and a committee should be settled up to redress the complaints received regarding sexual harassment.

PROVISIONS RELATED TO DIRECTORS REPORT UNDER SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULA TIONS, 2015

- **Regulation 32.** (4) The listed entity shall furnish an explanation for the variation specified in sub-regulation(1), in the directors' report i.e

(a)indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable for public issue, rights issue, preferential issue etc.

(b)indicating category wise variation (capital expenditure, sales and marketing,working capital etc.) between projected utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilisation of funds. for public issue, rights issue, preferential issue etc.

- **Regulation 34.** (2) The Annual Report to be submitted to the stock Exchange among other must contain Director's Report and Management discussion and analysis report - either as a part of directors report or addition thereto
- **Regulation 46.** (1) The listed entity shall maintain a functional website containing financial information including directors report
- I n case the securities are suspended from trading, the directors report shall explain thereof in the Corporate Governance Report under

PENALTY FOR NON COMPLIANCE:

For any violation of provisions of Section 134:

COMPANY: The company shall be punishable with fine which shall not be less than Rs.50,000 but it may extend to Rs.25 lakhs.

OFFICER: Every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to 3 years or with fine which shall not be less than Rs.50, 000 but which may extend to 5lakh Rupees , or with both.

CONCLUSION:Under the present scenario drafting and preparing of Directors Report is a challenge to the Company Secretaries because it requires enough knowledge and experience to do so. It casts huge responsibility to the Directors under the Directors Responsibility Statement for adhering to proper policies and compliances for safeguarding the assets of the company.Board of Directors need to be extremely cautious in Signing the Boards Report.

Secretarial Audit

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One of the recommendations in the report of the Uday Kotak-led SEBI committee on corporate governance is compulsory Secretarial Audit with the intent of strengthening the total compliance management in an organization. As a tool of risk mitigation, it allows the companies to address compliance risk issues and provides an in-built mechanism for enhancing corporate compliance through greater transparency in corporate functioning.

Introduction

The concept of Secretarial Audit is introduced under Section 204 of the Companies Act, 2013, to find out or detect any non-compliance made by the company and taking corrective steps (measures) for that the same. It is a kind of audit where the compliances are verified and checked by an independent professional [a company secretary in practice] to ensure that the company has complied with all the legal, secretarial and procedural requirements as required under various applicable laws. The Secretarial Audit Report aims at confirming compliance by the company with all the applicable provisions of the applicable laws and pointing out non-compliances and recommendations for better compliance. Secretarial Audit is a process of checking and verifying the records and documents of the company and to check whether the company is in compliance with the provisions of Companies Act, 2013 and other applicable laws.

Applicability of Secretarial Audit

Section 204(1) read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, provides that the following companies are required to obtain 'Secretarial Audit Report' from independent practicing company secretary;

(a)every listed company; or
(b)every public company having a paid-up share capital of Rs. 50 crores rupees or more; or
(c)every public company having a turnover* of Rs. 250 crores or more.

*"Turnover" means the gross amount of revenue recognized in the profit and loss account from the sale, supply or distribution of goods or on account of service rendered, or both, by a company during a financial year[as per Companies (Amendment) Act, 2017].

[Secretarial Audit is also mandatory to a private company which is a subsidiary of a public company, and which falls under the prescribed class of companies.]

Appointment of Secretarial Auditor

According to Section 134(3) the Company shall annex with its Board's Report, a Secretarial Audit Report, given by a Company Secretary in practice**.
As per Rule 8 of the Companies (Meetings of Board and its powers) Rules, 2014, Secretarial Auditor is required to be appointed by means of a resolution passed at a duly convened Board meeting and the resolution for appointment shall be filed with Registrar of Companies within 30 days in E-form MGT-14.

There is no specific provision regarding tenure of the Secretarial Auditors in the Companies Act, 2013.As the Secretarial Audit Report is required to be addressed to the members of the Company, therefore it would be appropriate that the appointing authority should be members to whom this certificate is addressed. It is advisable that the appointment should be made by the members in the annual general meeting from the conclusion of that annual general meeting until the conclusion of the next annual general meeting.

**"Company Secretary in Practice" means a Company Secretary who is deemed to be in practice under sub-section (2) of Section 2 of the Company Secretaries Act, 1980.

Periodicity Of Secretarial Audit

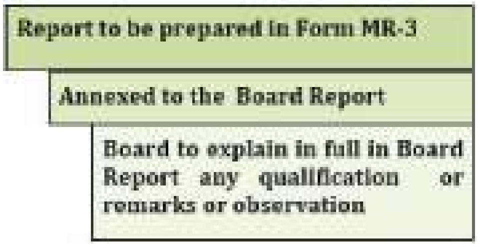
The Secretarial Audit Report shall relate to the period pertaining to the financial year of the Company. It may be for a period of less than one year or more than one year, depending upon the period of financial statements.

Laying of Secretarial Audit Report at the Annual General Meeting

There is no specific provision which requires that the Secretarial Audit Report needs to be laid by the Company in its Annual General Meeting, however as an annexure to the Board Report in needs to be laid before the meeting.

Flexibility in the form of Report

As mentioned in rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the Secretarial Audit Report shall be given in the Form MR-3 which means that if information required to be given in the Report does not fit into the format, necessary modifications may be made accordingly.

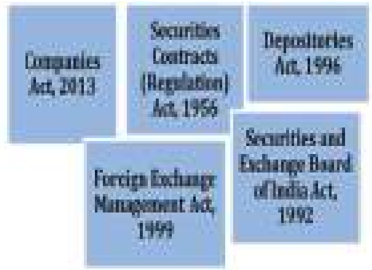


Scope Of Secretarial Audit

The scope of Secretarial Audit would comprise of verification and report of compliance of various requirements under the Companies Act and any other act applicable in the Company and the Rules there under.

The Institute of Company Sectaries of India has issued guidance for the scope of Secretarial Audit which includes the crucial area of audit by the Secretarial Auditor.

Crucial areas of Secretarial Audit



Reporting on any other laws as may be applicable specifically to the Company includes all laws which are applicable to specific industry for example for Banks- all laws applicable to Banking Industry; for insurance company-all laws applicable to insurance industry etc.

In case of financial laws like tax laws and Customs Act etc., Secretarial Auditor may rely on the Reports given by Statutory Auditors or other designated professionals.

Penalty

If a Company or any officer of the Company or the Company Secretary in Practice, contravenes the provisions of Section 204 of the Companies Act, 2013, the Company, every officer of the Company or the Company Secretary in Practice, who is in default, shall be punishable with fine which shall not be less than Rs. 1 lakh but which may extend to Rs. 5 lakh.

Conclusion

Even though Secretarial Audit is not mandatory for private companies and small public companies, all these companies may voluntarily adopt the practice of annual secretarial audit to ensure better compliance and avoid the risks associated with non compliance. However its scope is entirely a management's decision.

"Prevention is better than cure"

Managerial Remuneration

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The Companies Act,2013 was passed by the Lok Sabha on 18th December, 2012 and by the Rajya Sabha on 8th August, 2013 replacing 56 years old Companies Act, 1956. The Companies (Amendment) Act, 2017 was introduced and passed in Lok Sabha in July ,2017 and approved by the Rajya Sabha on 19th December , 2017 and got the President's assent on 3rd July , 2018

The Companies Act, 2013 enacted to replace the Companies Act, 1956 and the Companies (Amendment) Act, 2017 was introduced with some changes and new provisions in the Companies Act, 2013. The present article highlights on the provisions of managerial remuneration as per the Companies Act, 2013 as well as the changing impact as per the Companies (Amendment) Act, 2017 on such provisions .

INTRODUCTION

As per section 197(1) of the Companies Act, 2013 prescribed the maximum ceiling limit for payment of managerial remuneration by a public company to its managing director , whole-time director and its manager in respect of any financial year shall not exceed 11% of the net profit of the company for that financial year . The net profit for this purpose shall be computed as per section 198.

The following limits on remuneration payable to each managerial personnel/directors. The company can exceed the limit by passing an ordinary resolution at the general meeting may, with the approval of Central Government, subject to the provisions of Schedule V.

(i)The remuneration payable by one managing director or whole-time director or manager shall not exceed 5% of the net profit of the company. If there is more than one such director, then the remuneration shall not exceed 10% of the net profit to all such directors and managers taking together.

(ii)Remuneration to other directors who are neither managing director nor whole-time director will not exceed :

a)1% of the net profit of the company if there is a managing or whole-time director or manager.

b) 3% of net profit , in any other case.

Remuneration payable to exclusive of sitting fees (Fees payable to directors for attending the meeting of the Board/ Committees)

PROVISIONS INSERTED AND SUBSTITUTED AS PER THE COMPANIES (AMENDMENT) ACT,2017

The Companies (Amendment) Act, 2017, removes the requirement of " the approval of the Central Government" for paying remuneration exceeding 11% of the net profit of the company in the first proviso.

In the second proviso special resolution shall be passed in general meeting .

After the second proviso the following proviso shall be inserted:

"Provided that where the company has defaulted in payment of dues to any bank or public financial institution or non convertible debenture holders or any other secured creditors , the prior approval of the bank or public financial institution concerned or the non convertible debenture holders or other secured creditors, shall be obtained by the company before obtaining the approval in the general meeting."

Section 197(9) and (10) substituted that, if any director draws or receives , directly or indirectly, by way of remuneration any sums in excess of the limit prescribed by this section, where it is required, he shall refund such sums to the company within two years or such lesser period as may be allowed by the company by passing special resolution in general meeting.

The following proviso shall be inserted:

"Provided that where the company has defaulted in payment of dues to any bank or public financial institution or non convertible debenture holders or any other secured creditors , the prior approval of the bank or public financial institution concerned or the non convertible debenture holders or other secured creditors, shall be obtained by the company before obtaining the approval of such waiver."

Section 197(11) "if the conditions are not being complied ,the approval of the Central Government has obtained" shall be omitted.

The following sub-sections shall be inserted:

197(16) The auditor of the company shall make a statement on its report under section 143, whether the remuneration paid by the company to its directors is in accordance with the provisions of this section or is in excess of the limit laid down under this section .

197(17) On and from the commencement of the Companies (Amendment) Act, 2017, any application made to the Central Government under the provisions of this section, which is pending shall abate.

CONCLUSION

In view of the fact that the Companies (Amendment) Act, 2017 introduced and substituted some provisions, omitted some words like" the approval of the Central Government" which was the big change in the section 197. The intention of the amendment in this section is to safeguard the interest of the stakeholders and better compliance of law.

DIRECTOR'S REPORT

CS Alka Khetawat

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Introduction:

It is mandatory for the Board of Directors of every Company to present Financial Statement to the Shareholders along with its report, known as the "Board's Report or "Director's Report" at every Annual General Meeting. Director's Report is intended to explain to Shareholders, the overall financial position of the Company and its operation and Business scope. Director' Report and every annexure has to be duly signed. It enables not only the Shareholders but also the Lenders, Bankers, Government and the Public to make an appraisal of the Company's performance and provides an insight into the future growth and profitability of the Company.

Applicability:

Provisions of Section 134 of the Companies Act, 2013 is applicable only for Financial Year commencing on or after 1st April, 2014.

Basis of preparation:

Director's Report shall be prepared based on the Standalone Financial Statements of the Company and shall report on the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period under report. **(Substituted by the Companies (Accounts) Amendments Rules, 2016 w.e.f 27.07.2016**

Signing:

Director's Report including the annexures thereto under section 134(3) shall be signed by its chairperson of the Company if he is authorized by the Board and where he is not so authorized, shall be signed by at least two directors, one of whom shall be a managing director, or by the director where there is one director.

Approval:

Board's Report shall be approved by the Board of Directors at a physical Board meeting only. This means that the same cannot be approved by resolution by circulation or by committee or at any meeting held through video conferencing or other audio visual means.

Circulation:

A copy of the Director's Report along with the Financial Statements and the Auditor's Report is required to be sent physically or in electronic form, to every Member, Trustee of Debenture holder and to all other persons so entitled, at least 21 clear days before the date of Annual General Meeting.

E-filing of resolution:

Every Public Company shall file resolution of approval of Director's Report in e-form MGT-14 within 30 days of passing of Board resolution. **(Private companies are exempted [Notification No. GSR 464(E) dated 5th June, 2015]**

Director's Report along with the audited Financial Statements of a company is required to be filed with ROC in Form AOC-4 within 30 days of the date of Annual General Meeting.

Contents:

The contents of the Board's report as prescribed in Section 134(3) read with Rule 8, 9 of the Companies (Accounts) Rules, 2014:

(a)Web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed;"; **(Substituted by The Companies (Amendment) Act, 2017)**

(b) Number of meetings of the Board held during the year;

(c) Directors' Responsibility Statement;

- -Accounting Standards
- -Accounting Policies
- -Accounting Records
- -Going concern basis
- -Internal financial control
- -Devised proper system

(ca)Details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government. **(Inserted by The Companies (Amendment) Act, 2015 w.e.f 29.05.2015)**

(d) Statement on declaration given by independent directors under sub-section (6) of section 149;

(e) In case of a company covered under sub-section (1) of section 178, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;

(f) 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;

(g) Particulars of loans, guarantees or investments under section 186;

(h) Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the **Form AOC-2;**

(i) State of the company's affairs;

(j) Amounts, if any, which it proposes to carry to any reserves;

(k) Amount, if any, which it recommends should be paid by way of dividend;

(l) 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;

(m) Conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed; **(See Rule 8(3) of the Companies (Accounts) Rules, 2014**

(n) 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;

(o)Details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year;

(p) In case of a listed company and every other public company having such paid-up share capital of twenty five crore rupees or more calculated at the end of the preceding financial year shall include, 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" **(Substituted by The Companies (Amendment) Act, 2017**

Disclosures under Rule 8 of the Companies (Accounts) Rules, 2014:

(i) Financial summary or highlights;
(ii) Change in the nature of business, if any;
(iii) Details of directors or key managerial personnel who were appointed or have resigned during the year;
(iv) Names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;
(v) Details relating to deposits, covered under Chapter V of the Act,-
(a) accepted during the year;
(b) remained unpaid or unclaimed as at the end of the year;
(c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-
(i) at the beginning of the year;
(ii) maximum during the year;
(iii) at the end of the year;
(vi) Details of deposits which are not in compliance with the requirements of Chapter V of the Act;
(vii) Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;
(viii)Details in respect of adequacy of internal financial controls with reference to the Financial Statements.

"Provided that where disclosures referred to in this sub-section have been included in the financial statements, such disclosures shall be referred to instead of being repeated in the Board's report.

Provided further that where the policy referred to in clause (e) or clause (o) is made available on company's website, if any, it shall be sufficient compliance of the requirements under such clauses if the salient features of the policy and any change therein are specified in brief in the Board's report and the web-address is indicated therein at which the complete policy is available."; **(Inserted by The Companies (Amendment) Act, 2017**

Further, there are certain other provisions in the Act or other laws which require disclosures to be made in the Director's Report

- Disclosures in respect of voting rights not exercised directly by the employees in respect of shares to which the scheme relates – **Section 67(3)**
- Detailed reasons for revision of financial statement or Director's Report made during the year, if any - **Section 131(1)**
- Composition of the Corporate Social Responsibility Committee - **Section 135(2)**
- Disclosure of re-appointment of Independent Directors - **Section 149(10)**
- Composition of Audit Committee and reasons for not accepting the recommendation of the Audit Committee - **Section 177(8)**
- Establishment of vigil mechanism shall be disclosed by the company on its website, if any, and in the Board's report - **Section 177(10)**
- Remuneration policy for remuneration of directors, key managerial personnel and other employees - **Section 178(4)**
- Disclosure regarding the ratio of the remuneration of each director to the median employee's remuneration - **Section 197(12)**
- Remuneration, commission received by managing or whole-time director of the company from its holding company or subsidiary company- **Section 197(14)**
- Secretarial Audit Report in form MR-3 - **Section 204**
- Details of equity shares issued with differential voting rights - **(Rule 4(4) of the Companies (Share Capital and Debentures) Rules, 2014)**
- Details if sweat equity shares are issued - **(Rule 8(13) of Companies (Share Capital and Debentures) Rules, 2014**
- Details of money accepted from directors - **(Rule 2(1)(c) of the Companies (Deposits) Rules, 2014)**
- Details relating to Employees Stock Option Scheme – **(Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014**
- Explanation for deviation, variation in public issue, right issue, preferential issue, etc - **(Regulation 32(4) of SEBI (LODR) Regulations, 2015)**
- Management Discussion and Analysis Report - either as a part of directors report or addition thereto – **(Regulation 34(2)(e) of SEBI (LODR) Regulations, 2015)**
- Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance shall be annexed with the director's report - **(Schedule V, Clause E of SEBI (LODR) Regulations, 2015)**
- Details of cases of sexual harassment filed and details of their disposal required to be disclosed - **(Section 22 of Sexual Harassment of Women at Workplace (Prevention, prohibition & redressal) Act, 2013)**

Exemption to Government Company:

Government Companies are given certain exemptions from the contents of the Director's Report **[Notification G.S.R. 463 (E) w.e.f 05.06.2015]**

- Clause (e) of sub-section (3) of section 134 shall not apply.
- Clause (p) of sub-section (3) of section 134 shall not apply in case the directors are evaluated by the Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the State Government, as per its own evaluation methodology.

One Person Company:

For an OPC, the Director's Report shall contain only the explanations or comments of the board on every qualification, reservation, adverse remark or disclaimer made by the auditor.

The Central Government may prescribe an abridged Board's report, for the purpose of compliance with this section by One Person Company or small company." **(Inserted by The Companies (Amendment) Act, 2017**

Penalty:

If a Company contravenes the provisions of this Section:

Company	Fine - Not less than Rs. 50,000 but which may extend to Rs. 25 Lakhs
Officer in default	Fine - Not less than Rs. 50,000 but which may extend to Rs. 5 Lakhs; or Imprisonment - which may extend to 3 years; or Both Fine and Imprisonment

Kotak Committee recommendations on Corporate Governance

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CS Sumit Jaiswal
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The Securities and Exchange Board of India (SEBI) had formed a 24-member group in June 2017 that consisted of representatives of Corporate India, stock exchanges, professional bodies, investor groups, chambers of commerce, law firms, academicians and research professionals and SEBI officials. The panel under the chairmanship of Mr. Uday Kotak on 5th October, 2017 submitted its report to the SEBI.

SEBI, in its Board Meeting held on 28th March, 2018 accepted 40 out of 80 recommendations from the Kotak Committee on Corporate Governance without any modification, some with modifications and a few rejected. The recommendations thus accepted are yet to be notified by SEBI

Recommendations of the Committee accepted <u>without any modifications</u>

<table>
<tr><th>Recommendation Accepted</th><th>Explanation</th><th>Remarks</th></tr>
<tr>
<td>Reduction in the maximum number of listed entity directorships to
8 by April 01, 2019; and
to 7 by April 1, 2020</td>
<td>Limits on directorship until now:
<table>
<tr><th>Companies Act, 2013</th><th>SEBI (LODR) Regulations, 2015</th></tr>
<tr><td>•A person may be director in maximum 20 companies.

•Out of the above, maximum no. of public limited companies* should not exceed 10</td><td>•A person can be Independent Director (ID) in maximum 7 listed companies.

•WTD of a listed entity not to be ID of more than 3 listed entities.</td></tr>
</table>
</td>
<td>Check whether the directors are in compliance</td>
</tr>
<tr>
<td>Expanding the eligibility criteria for independent directors
(As the SEBI has accepted this without any modification, as per Committee's report, effective date is April 01, 2018. However, SEBI notification is awaited</td>
<td>Revision of eligibility criteria for a director to be an "independent director" (ID) to also include the following:
(i)Specifically exclude persons who constitute the 'promoter group' of a listed entity;
(ii)Requirement of an undertaking from the ID that such a director is not aware of any circumstance or situation, which exists or may be reasonably anticipated, that could impair or impact his/her ability to discharge his/her duties with objective independent judgements and without any external influence.
(iii)The board of the listed entity to take on record the above undertaking after due assessment of the veracity of such undertaking.
(iv)Exclude "board inter-locks" arising due to common Non-ID on boards of listed entities (i.e. a Non-ID of a company on the board of which any Non-ID of the listed entity is an ID, cannot be an ID on the board of that listed entity).
For instance, If Mr. A is an executive director on company X (being a listed entity) and is also an ID director on company Y, then no Non-ID of Co. Y can be an ID on the board of company X.</td>
<td>Check whether IDs fulfill also the new eligibility criteria.</td>
</tr>
<tr>
<td>Enhanced role of
(a)the Audit Committee,
(b)Nomination and Remuneration Committee (NRC)
(c)Risk Management Committee (RMC)
(Applicability of RMC increased from top 100 to top 500 companies based on market capitalisation as on 31st March of a FY)</td>
<td>•The role of audit committee is enhanced by:
insertion of a new sub- clause (21):
(21) reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower.

•Role of NRC shall, inter-alia, include the following:
Insertion of a new sub-Regulations (6):
(6) recommend to the board all remuneration, in whatever form, payable to senior management

•The Risk Management Committee shall also review cyber security.</td>
<td>(a)Terms of reference of Audit Committee to be enhanced;

(b)Terms of reference of NRC to be enhanced;

(c) RMC, wherever applicable, to comply with the same.</td>
</tr>
</table>

Disclosure of utilization of funds from QIP/preferential issue (As per Committee's report, effective date is April 01, 2018. However, SEBI notification is awaited)	Appropriate disclosures required on utilisation of proceeds of preferential issues and QIPs till the time such proceeds are utilised	To comply at the time of Preferential Issues/QIPs
Disclosures of auditor credentials, audit fee, reasons for resignation of auditors, etc. (As per Committee's report, effective date is April 01, 2018. However, SEBI notification is awaited)	•Notice being sent to shareholders should contain certain minimum disclosures in relation to the credentials and terms of appointment of the auditors who are proposed to be appointed/re-appointed. •The proposed audit fees must be disclosed in the notice and if there is any material change in the fees paid to a new auditor as compared to the current audit fee, the rationale for the same must be provided. •Detailed reasons for resignation to be given by a resigning auditor	To comply at the time of appointment of new Auditors/ reappointment of existing, as may be applicable
Disclosure of expertise/skills of board of directors effective from FYE 31/03/2019 (without names of directors) and FYE 31/03/2020 and onwards with names of the directors)	•The following disclosures shall be made in the section on the corporate governance of the annual report. •A chart or a matrix setting out the skills/expertise/competence of the board of directors specifying the following: (i)List of core skills/expertise/competencies identified by the board of directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the board; and (ii)Names of directors who have such skills/expertise/competence, with effect from financial year ended March 31, 2020.	•Identification of the list of core skills/ expertise/ competencies required. •Disclosure in chart/ matrix of competencies of board members against every identified competency/ expertise without disclosing names in the annual report for financial year ending March 31, 2019
Enhanced disclosure of related party transactions (RPTs) and RP are allowed to vote but not approve the resolution (negative voting allowed). (As per the Committee's report, the provision on voting is with immediate effect whereas disclosure is effective from 01/04/2018. However, SEBI notification is awaited)	The annual report shall include the following in addition to disclosures as per the Companies Act, 2013 and SEBI (LODR): • Disclosures of transactions of the listed entity with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results. • Half yearly disclosure of RPTs on a consolidated basis, in the disclosure format required for RPT in the annual accounts as per the accounting standards, on the website of the listed entity within 30 days of publication of the half yearly financial results. Copy of the same to also be submitted to the stock exchanges. Insertion of new proviso under definition of Related Party: • Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall also be a related party Amendment of SEBI LODR Regulations to allow related parties to cast a negative vote, as the same cannot be considered to be in conflict of interest.	Related Parties can vote; the new provision on negative voting permitted. Enhanced disclosure of related party transactions to be made

Mandatory disclosure of consolidated quarterly results (As per the Committee's report, effective from 01/04/2018, however SEBI notification is awaited)	Disclosure of consolidated financial results made mandatory for all listed entities having subsidiary(ies) on a quarterly basis. It is also clarified that standalone results shall continue to be required to be published	To prepare Quarterly financial results on consolidated basis. The option earlier available for either standalone or consolidated has been removed
Disclosures of auditor credentials, audit fee, reasons for resignation of auditors, etc. (As per Committee's report, effective date is April 01, 2018. However, SEBI notification is awaited)	•Notice being sent to shareholders should contain certain minimum disclosures in relation to the credentials and terms of appointment of the auditors who are proposed to be appointed/re-appointed. •The proposed audit fees must be disclosed in the notice and if there is any material change in the fees paid to a new auditor as compared to the current audit fee, the rationale for the same must be provided. •Detailed reasons for resignation to be given by a resigning auditor	To comply at the time of appointment of new Auditors/ reappointment of existing, as may be applicable
Enhanced obligations on the listed entities with respect to subsidiaries (As per the Committee's report, effective from 01/04/2018, however SEBI notification is awaited)	•The definition of the term "material subsidiary" should be revised to mean a subsidiary whose income or net worth exceeds 10% (from the current 20%) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year •At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not •Listed entity may monitor governance through a dedicated group governance unit or committee comprising the members of the Board. •Secretarial audit mandatory for material unlisted Indian subsidiary	To determine material subsidiary based on new definition. An option of having a governance unit or committee has been given Secretarial audit to be applicable for material unlisted Indian subsidiary. Thus overseas subsidiaries are also included.

Recommendations of the Committee accepted with modifications

Recommendation Accepted	What the Committee had recommended	Impact on Companies
Minimum 6 directors in the top 1000 listed entities by market capitalization by April 1, 2019 and in the top 2000 listed entities, by April 1, 2020	The Kotak Committee recommended minimum six directors in a listed entity. However, SEBI has accepted this in two parts: top 1000 and top 2000 listed entities w.r.t. time of implementation i.e. 01/04/2019 and 01/04/2020 respectively.	To ensure minimum six directors on Board
At least one woman independent director in the top 500 listed entities by market capitalization by April 1, 2019 and in the top 1000 listed entities, by April 1, 2020	The Kotak Committee recommended atleast one woman Independent director. However, SEBI has accepted this in two parts: top 500 and top 1000 listed entities w.r.t. time of implementation i.e. 01/04/2019 and 01/04/2020 respectively.	To check its position in the list of listed entities- market capitalisation wise, and take action accordingly to comply with the respective amendment.
Separation of CEO/MD and Chairperson (to be initially made applicable to the top 500 listed entities by market capitalization w.e.f. April 1, 2020)	The Committee had recommended separation in two stages: (a) listed entity with public shareholding of 40% or more: w.e.f. 01/04/2020; and (b) all listed entities w.e.f. 01/04/2022.	
Quorum for Board meetings (1/3rd of the size of the Board or 3 members, whichever is higher) in the top 1000 listed entities by market capitalization by April 1, 2019 and in the top 2000 listed entities, by April 1, 2020	The Committee had recommended quorum of 1/3rd or 3 whichever is higher (including atleast one ID) and participation by video conferencing without any restriction counting for quorum.	
Top 100 entities to hold AGMs within 5 months after the end of FY 2018-19 i.e. by August 31, 2019	The Committee had recommended this to be made effective from FY 2017-18 i.e. by August 31, 2018.	
Webcast of AGMs will be compulsory for top 100 entities by market capitalization w.e.f. FY 2018-19	The Committee had recommended this to be made effective from FY 2017-18 i.e. w.e.f. meetings held after 01/04/2018	No impact
Shareholder approval for payments to related party of royalty exceeding 2% of consolidated turnover (instead of the proposed 5%)	A transaction involving payments of royalty made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity	To comply with the new requirements in case of this transaction

EIRC EVENTS

International Women's Day Celebration held on 8.3.18

Celebration of International Women's Day at ICSI-EIRC House; Guest Speakers: CS Mamta Binani, Past President, ICSI and CS Ramya Hariharan, Advocate; Special Invitees: Ms. Tianala, Deputy Director, MCA and Ms. Ishani Pandya, Assistant RoC at the Professional Development Programme organised on this occasion

127th Management Skill Orientation Programme started on 12.03.2013

Inauguration of 127th MSOP batch, Chief Guest: Shri Joseph Jackson K G, Registrar of Companies, West Bengal

EIRC EVENTS

Capacity Development Programme Held on 17.03.2018

Capacity Development Programme on FEMA Regulations and Drafting Skills of Legal Documents held at The Lalit Great Eastern Kolkata. Guest Speakers: CS Vinod Kothari, Past Chairman, EIRC of ICSI and CS Vinita Nair, Practising Company Secretary

Campus Placement held on 21.03.2018

Representatives from various firms / organization at the Campus Placement for the students seeking Management Training

EIRC EVENTS

Understand GST-A Practical Approach Workshop held on 23-24.03.2018

Two Days Training cum Workshop on GST at ICSI-EIRC House; Trainer: CA Atin Harbhajanka, Empanelled Trainer, MSME, Govt. of India

Holi Meet held on 08.3.18

Members and Students along with officials of EIRO at Holi Meet.

EIRC EVENTS

Joint Programme With ICC held on 24.03.2018

CS Ashok Purohit, Chairman, EIRC addressing the Conference on “Bankruptcy Code & Corporate Governance : Impact upon India“ also seen in the picture CS Mamta Binani,Past President ICSI

Investor Awarness Programme held on 8.3.18

Investor Awareness Programme organised at ICSI-EIRC House; Guest Speaker- CS Pragya Jhunjhunwala

Investor Awareness Programme held on 13.3.18

Investor Awareness Programme organised at Harimohan Ghosh College; Guest Speaker-Prof Ashis Sana

Academic Development Programme For students

Professional Induction Programme
(09.03.2018-10.03.2018)

Professional e-Governance Programme
(12.03.2018-14.03.2018)

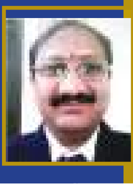
Professional Skills Development Programme
(20.03.2018-24.03.2018)

Professional Entrepreneurship Development Programme
(26.03.2018-31.03.2018)

Induction Programme for Newly Registered Students
held on 17.03.2018

Brief Report of the Activities of Chapters of EIRC from 01.03.2018 to 31.03.2018

Date	Name of Programme	Venue
Bhubaneswar Chapter		
05-09.03.2018	4th batch of 5 days skill development	Bhubaneswar Chapter
08.03.2018	Celebration of International Women's Day	Bhubaneswar Chapter
17.03.2018	Investor Awareness Programme	KeonjharTown, Odisha
17.03.2018	Career Awareness Programme	Keonjhar Degree Commerce, College, Keonjhar, Odisha
28.03.2018	MCA & IEPFA in association with ICSI & CII Investor Awareness & Orientation Programme for the nodal officers of Companies	KIMS Auditorium, Campus – 5, KIIT, Bhubaneswar
30.03.2018	Talk on Companies (Amendment) Act, 2017 and PCS members meet	Bhubaneswar Chapter
Dhanbad Chapter		
31.03.2018	Full Day Seminar on "Amendments in Companies Act, 2017" & "Tax Implication on Mutual Funds"	CMA Bhawan, Saraidhela, Dhanbad
Hooghly Chapter		
08.03.2018	Celebration of International Woman's Day & 10th Foundation Day of Hooghly Chapter	Hooghly Chapter Premises
18.03.2018	Full Day Seminar on "Profound Analysis of the Companies Amendment Act 2017 and impact assessment on Board's Report and Private Companies" and "GST E-Way Bill Impact and its Procedure"	Hooghly Chapter Premises
25.03.2018	Investor Awareness Programme	Rishra Sewak Sangh, Rishra
Jamshedpur Chapter		
17.03.2018	Group Discussion on Companies Amendment Act & Practical Aspects	CFE Library, Jamshedpur
Ranchi Chapter		
06.03.2018	Orientation Programme through webcast on ICSI New Syllabus (2017)	Ranchi Chapter Premises
08.03.2018	Women's Day celebration – Study Circle meeting	Ranchi Chapter Premises
Siliguri Chapter		
24.03.18	Investors Awareness Programme	Siliguri College of Commerce
24.03.18	Career Awareness Programme	Siliguri College of Commerce



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