

Non- Corporate Entities - Financials

CA Aanand P

Ph. 9791119996

ஆற்றின் வருந்தா வருத்தம்
பலர்நின்று
போற்றினும் பொத்துப் படும்.

செய்வதற்கு உரிய வழிகளிலே முயன்று செய்யப்படாத
தொழிலானது, பலர் துணை நின்று பின்னர்க் காத்தாலும்
கெட்டுப் போய்விடும்

Non-Corporates - Individuals



Purpose

Tax Computation

Availing Loan



Preparation

Availability of Data

Data Integrity

Risk



Presentation

Assurance

Ethical Issues

Cost Benefit

Purpose

◆ Tax Filing



◆ Availing Finance



Does availed
finance more
than say 25
Lakhs

Issues – Tax Filing

- ◇ Turnover
- ◇ Income
- ◇ Expenses
- ◇ Investments
- ◇ Related Party Transactions
- ◇ Exemptions

Issues – Availing Finance

- ◆ Requirement of Finance
- ◆ Actuals Vs Presented
- ◆ Lack of Vision in Biz
- ◆ Diversion of Funds
- ◆ In appropriated Working Capital Assessment and Disclosures
- ◆ Diversion in Business

Preparation

◆ Availability of Data



◆ Data Integrity



◆ Risk



Availability of Data

- ◇ Tally Accounts
- ◇ Bank Statements
- ◇ GST Returns
- ◇ Expense Vouchers
- ◇ Loan Statements
- ◇ Investment Details
- ◇ Personal Assets / Wealth

Data Integrity

- ◇ Completeness of Data
- ◇ Accurateness of Data
- ◇ Appropriateness of Data

Risk

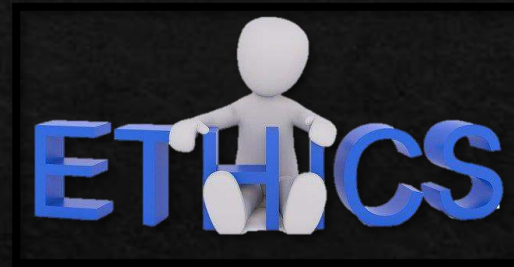
- ◇ Risk of Wrong Presentation
- ◇ Risk of Wrong Computation of Income
- ◇ Risk of inaccurate working capital assessment
- ◇ Risk of inaccurate Net Worth Calculation
- ◇ Risk of Compliance with applicable laws
- ◇ Risk of Non Compliance with Accounting Standards

Presentation

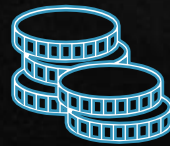
◆ Assurance



◆ Ethical Issues



◆ Cost Benefit



Assurance

- ◆ Level of assurance on the Financials
- ◆ Compliance with Financial Frameworks
- ◆ Compliance with Accounting Standards
- ◆ Compliance with Auditing & Assurance Standards
- ◆ Compliance with Other Laws & Regulations

Ethical Issues

- ◇ Five Pillar Issues
 - ◇ Integrity
 - ◇ Objectivity
 - ◇ Professional Competence and Due Care
 - ◇ Professional Behaviour
 - ◇ Confidentiality

Ethical Issues

- ◇ Threats
 - ◇ Self-Interest
 - ◇ Self-Review
 - ◇ Advocacy
 - ◇ Familiarity
 - ◇ Intimidation

- 1 **SELF-INTEREST—What's in it for me and does this impact my decision making?**
 - ✓ Does the promise of a large bonus make you hesitant to investigate the emails that were uncovered? Does it make you less objective?
- 2 **SELF-REVIEW—Am I reviewing my own work or evaluating recommendations I previously made?**
 - ✓ Were you involved in the development of the plan, and if so, would that threaten objectivity in evaluating the plan going forward?
- 3 **ADVOCACY—Am I at risk of promoting my client's or employer's position in a way that is inappropriate?**
 - ✓ Said another way, are you at risk of over-stating the legitimacy or value of the CEO's position/plan in spite of concerns over the bribery issue in order to promote the interests of the company?
- 4 **FAMILIARITY—Does my long-standing relationship with my client or employer threaten my decision-making or judgement?**
 - ✓ Are you motivated to agree with the CEO's plan, rather than objectively applying professional judgement, out of implicit trust in the CEO and the company's decision-making process?
- 5 **INTIMIDATION—Do I feel threatened in any way with respect to performing my job in a diligent, professional or objective way?**
 - ✓ Does the CEO's "whatever it takes" approach pressure you into feeling that both job and reputation are on the line if anything slows down or derails entry into the new market?

Ethical Issues

1st July, 2020

ANNOUNCEMENT

Sub. : Applicability of the revised edition of Code of Ethics

The revised 12th edition of Code of Ethics has come into effect from 1st July, 2020. It is accessible on www.icaai.org at the following links :-

Code of Ethics Volume – I

<https://resource.cdn.icaai.org/55133CodeofEthics-2019.pdf>

Code of Ethics Volume – II

<https://resource.cdn.icaai.org/60018code-of-ethics-2020vol2.pdf>

Code of Ethics Volume –III (Case Laws Referencer)

<https://resource.cdn.icaai.org/59111esb48239.pdf>

It may further be noted that the Council at its 393rd Meeting held on 30th June to 1st July, 2020 has decided that due to the prevailing situation due to Covid-19, the following provisions of Volume-I of Code of Ethics, 2020 be deferred till further notification :-

1. Responding to Non-Compliance of Laws and Regulations(NOCLAR)
[Sections 260 and 360]
2. Fees - Relative Size
[Paragraphs 410.3 to R410.6]
3. Taxation Services to Audit Clients
[Subsection 604]

With the exception of aforesaid provisions, all other provisions of revised Code of Ethics are applicable w.e.f 1st July, 2020.

Ethical Issues

- ◇ Various ICAI Publications / Guidelines / resources
 - ◇ Code of Ethics – Vol 1 – New Code Vol 2 – CA Act, Regulations
 - ◇ Financial Statements – Framework
 - ◇ Accounting Standards Applicable to Level 3 Entities
 - ◇ SQC 1 – Quality Control for Firms
 - ◇ SA 200 – Overall Objectives
 - ◇ SA 210 – Terms of Audit Engagements

Ethical Issues

- ◇ SA 230 – Documentation
- ◇ SA 260 – Communication with those charged with Governance
- ◇ SA 540 - Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
- ◇ SA 570 – Going Concern
- ◇ SA 710 - Comparative Information - Corresponding Figures and Comp Financial Statements
- ◇ SRE 2400 - Engagements to Review Historical Financial Statements
- ◇ SRS 4410 - Compilation Engagements

information. The SRS may however, also be applied, adapted as necessary, when the practitioner is engaged to assist management in preparing and presenting their financial information. Examples include:

- Pre-legal financial information.

• Prospective financial information, including financial budgets or forecasts.

A6. Practitioners may also undertake engagements to assist management in the preparation and presentation of non-financial information, for example, greenhouse gas statements, corporate social responsibility reporting, environmental reporting, sustainability reporting, integrated reporting, statistical returns or other information returns. In these circumstances, the practitioner may apply the SRS, adapted as necessary, as relevant to those types of engagements.

Considerations Relevant to Application of the SRS (Ref: Para. 3)

A6. Mandatory application of the SRS may be specified in national listings for engagements where practitioners undertake services relevant to the preparation and presentation of financial information of an entity (such as, in relation to preparation of historical financial statements required by public listing). If mandatory application is not specified, other applicable law or regulation, or under applicable professional standards or otherwise, the practitioner may nevertheless conclude that applying the SRS is appropriate in the circumstances.

Relationship with SQC 1 (Ref: Para. 6)

A6. SQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for related services engagements, including compilation engagements. These responsibilities are directed or reinforcing:

- The firm's quality control system; and
- The firm's related policies designed to achieve the objective of the quality control system and its procedures to implement and monitor compliance with those policies.

A7. Under SQC 1, the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that:

(a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and

(b) Reports issued by the firm or engagement partners are appropriate in the circumstances.¹

¹SQC 1, paragraph 1.

Ethical Issues

- ◇ **Guidance Note On Audit Of Accounts Of Non-corporate Entities (Bank Borrowers)**
- ◇ Practitioner's Guide to Audit of Small Entities
- ◇ **SAE 3400** The Examination of Prospective Financial Information

Cost Benefit

- ◇ Fees charged for Engagement
- ◇ Time Spent during the year
- ◇ Time Spent after the year

Various Issues

- ◇ Closeness to Clients
- ◇ Tax Evasion
- ◇ Funds Deployed
- ◇ Funds Diverted
- ◇ Owner Vs Those Charged with Governance

நன்றே தரினும் நடுவிகந்தாம்
ஆக்கத்தை
அன்றே யொழிய விடல்.

நன்மையே தருவதாக இருந்தாலும் நீதியை விட்டு
விலகுவதால் வரும் லாபத்தை, அப்பொழுதே விட்டு
விடுக.

அறனறிந்து
ஆன்றமைந்த சொல்லான் எஞ்ஞா
ன்றுந்
திறனறிந்தான் தேர்ச்சித் துணை

அறத்தை அறிந்து கல்வியால் நிறைந்து, அடக்கமான
சொல்லை

உடையவராய், எப்போதும் செயலாற்றும் முறைக
ளைத் தெரிந்தவரே

CA Aanand P, Ph. 9791119996

கலந்து முடிவு எடுப்பதற்கு ஏற்ற துணையாவார்.