Companies Act 2013: Consolidated Financial Reporting
Gearing up for Consolidated Financial Reporting

Call to action

- Identify subsidiaries, associates and JVs and relook group structure
- Relook for tax implications which may arise due to CFS and other regulatory requirements
- Put in place a CFS reporting function, as well as a transition plan
- Manage multi-GAAP reporting and prepare for India GAAP reporting
- Identify and implement systems and tools for CFS reporting
- Prepare consolidated financial statements (CFS) reports
- Seek approval for CFS reports, including for disclosures
- Prepare Accounting and Consolidation Manual along with financial book close procedures (FSCP)

Key compliance requirements

► The Companies Act 2013 defines the term financial statements to include balance sheet, profit and loss and cash flow statement. The cash flow statement is a first-time inclusion. In the case of a One Person Company (OPC), small company and dormant company, the cash flow statement is excluded.
► Companies are required to follow a uniform financial year, i.e., 1 April to 31 March, with limited exemptions.
► Companies need to prepare and maintain financial statements in an electronic format. In addition, XBRL reporting has been made mandatory for some specified companies.
► CFS is to be prepared and laid before an AGM, in addition to SFS. Audited accounts of the listed companies, along with those of the subsidiaries, have to be made available on the website.
► Audited accounts of all of the subsidiaries are required to be prepared and provided to shareholders on request.
► Financial statements need to be signed at least by the Chairperson of the company, if authorized, by the board or two Directors, including Managing Director (MD), where there is one and Chief Execution Officer (CEO) if he/she is the Director; Chief Financial Officer (CFO) and Company Secretary (CS), wherever they are appointed. In case of an OPC's balance sheet and statement of profit and loss, only one Director is required to sign.

Applicability

► All companies with subsidiaries (including associate companies and joint ventures) need to prepare CFS.
► Listed companies currently preparing CFS under the IFRS will mandatorily need to prepare CFS under the Indian GAAP.
► Unlisted companies need to prepare CFS, along with Standalone Financial Statement (SFS).
► Intermediate unlisted parent companies will also need to prepare CFS.
Preparing for Consolidating Financial Statements

Assess the existing holding structure and realign group structure in accordance with the Companies Act 2013

Assess the impact of tax and other regulatory requirements due to group restructuring

Define enablers such as accounting policies manual, consolidation manual, standard reporting pack for subsidiaries, associates and JVs, reporting calendars and financial book close procedures with defined roles and responsibilities

Setup a CFS reporting function

Prepare for multi-GAAP reporting/GAAP conversion for consolidating financial statements

Review/Update and implement internal financial controls across processes and IT systems

Prepare a training and change management plan, including a rollout action plan, communication plan and training plan with respect to transitioning to the Companies Act 2013

Evaluate and implement systems and tools for preparing CFS, reports and disclosure management

Prepare CFS including disclosure management

Finalize CFS report approval signatories, both at the group and subsidiary levels

Prepare for interim reporting
# Questions to be considered by Board and CFO

<table>
<thead>
<tr>
<th>Identify subsidiaries and finalize the group structure</th>
<th>Well prepared</th>
<th>Requires consideration</th>
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<tbody>
<tr>
<td>► Have you identified the impact of the Companies Act 2013 on the group structure, subsidiaries, associates and JVs?</td>
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<td>► Have you identified the entities that will be regarded as subsidiaries, associates and JVs as per the Companies Act 2013 but will not be considered for preparing CFS as per the accounting standard?</td>
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<table>
<thead>
<tr>
<th>Assess impact of tax and other regulatory requirements</th>
<th>Well prepared</th>
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<tr>
<td>► Have you assessed the consequential impact of the Companies Act 2013 on tax and other regulatory requirements?</td>
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<table>
<thead>
<tr>
<th>Set-up a CFS reporting function and put a transition plan in place</th>
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<tr>
<td>► Have you defined policies and procedures for the CFS reporting function?</td>
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<td>► Have you defined organization and people structure for the CFS reporting function?</td>
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<td>► Have you defined performance indicators for the CFS reporting function?</td>
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<td>► Have you defined enablers such as data management, reporting form, format, calendars, systems etc.?</td>
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<tr>
<th>Prepare accounting manual and financial book close procedures (FSCP)</th>
<th>Well prepared</th>
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<td>► Do you have accounting policies/manual/processes in place to ensure uniform accounting policy application across the group?</td>
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<td>► Have you defined a standardized chart of accounts to capture the appropriate nature of transactions consistently across the group?</td>
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<td>► Does your company have a standardized group reporting pack for collating information and preparing CFS reports?</td>
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<tr>
<th>Internal Financial Controls</th>
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<tr>
<td>► Have you reviewed/updated and tested Internal Financial Controls over financial recording and reporting processes and systems?</td>
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<tr>
<th>Multi GAAP reporting/GAAP conversion</th>
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<tr>
<td>► Are all of the subsidiaries, including foreign subsidiaries, associates and joint ventures of the group, geared up to furnish information in accordance with the Indian GAAP for preparing CFS?</td>
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<td>► Are you geared up for reverse GAAP conversion in case of subsidiaries using different GAAP standard for reporting?</td>
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<td>► Are you geared up for reporting CFS as per the IFRS/US GAAP (in case your company is listed outside India or has to undertake group reporting)?</td>
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Questions to be considered by Board and CFO

**Identify and implement systems and tools for preparing CFS reporting**

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- Have you implemented accounting systems such as SAP/Oracle ERP applications across your group and subsidiaries?
- Have you assessed implementing systems and tools for preparing CFS reports such as:
  - MS Access/Excel-based Solutions
  - Business Intelligence and MIS Solution
  - SAP Business Planning Consolidation
  - SAP Inter Company Reconciliation Oracle Hyperion
  - IBM Cognos Controller
  - XBRL Reporting
  - Others, please specify ________________________________

**Training and change management**

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- Have you assessed the impact of the transition to the Companies Act 2013, especially with respect to CFS reporting?
- Have you prepared a change management plan, including communication and training with respect to transitioning to the Companies Act 2013?

**Prepare Consolidated Financial Statement Report**

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- Have you identified all the components of the CFS report?
- Have you finalized the CFS report, forms, templates, etc.?
- Have you finalized disclosure/notes, process management and templates to report consolidated financial statements?

**Interim reporting**

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- Have you assessed your readiness for interim reporting?

**Annual Report approval and signing process**

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- Have you identified annual report approval signatories for the group and for the subsidiaries?
How we can assist you

Areas of Assistance:  

Group structure

► Provide accounting and tax advice on the alignment of group structure i.e. subsidiaries, associates, JVs as per the Companies Act 2013 requirements

Tax and other regulatory impact assessment

► Assess the impact of the tax structure and other regulatory requirements of the Companies Act 2013

Set-up function

► Define and setup a CFS reporting function including policies and procedures, organization structure, roles and performance indicators
► Define CFS reporting enablers such as information collection, forms and formats, and calendars

Accounting policies and procedures

► Prepare/Update the accounting manual to facilitate consistent application of accounting principles across the group
► Assist in the preparation of web-enabled manuals for ease of access across the group
► Define financial book close and report procedures as per the Companies Act 2013
► Establish standardized naming convention for the chart of accounts across the group

Internal controls over CFS reporting

► Review and update internal controls across the group, subsidiaries, associates and JV for CFS reporting

Manage multi GAAP reporting and prepare for India GAAP reporting

► Assist management in converting financial statements of foreign subsidiaries to Indian GAAP for preparing CFS reports as per the Companies Act 2013
► Assist management in preparing group financial statements in accordance with the IFRS/US GAAP, where required

To measure the gap that you need to bridge to comply with the Act and understand more about how we are assisting our clients with Consolidated Financial Reporting, please contact us at cfs.solutions@in.ey.com
How we can assist you

Areas of Assistance:

Consolidated Financial Reporting tools and technology
► Automate accounting (recording and reporting) processes
► Evaluate and implement systems and tools for automating CFS reporting processes including information collection, GAAP conversion, intercompany reconciliation, disclosure management
► Develop a cost-effective consolidation workbook using MS Excel/Access built in with features such as standardized input templates with validation checks, automated collation of data and reduced manual intervention

Training and change management
► Conduct a diagnostic study to assess the implication of transitioning to a new regulatory framework
► Identify areas of impact and define a transition plan including a detailed action plan, a communication plan and a training plan

Interim reporting
► Assist management in developing/updating systems and processes to prepare interim CFS

Prepare Consolidated Financial Statements
► Prepare CFS reports
► Design and implement processes, tools, accelerators, templates etc., to enable disclosure as per the relevant accounting framework
► Conduct an independent review of processes, and CFS reports to identify improvements areas when benchmarked against leading practices/compliance requirements

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Some of our experiences

Finance transformation - financial statement close process

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<th>Key benefits delivered</th>
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<td>► The client had material weaknesses identified in the SOX control processes for the APAC region</td>
<td>► We were engaged in implementing process improvements in the financial statement close process by leveraging leading practices and remediating the material weakness throughout the APAC region</td>
<td>We assisted the client in ► Implementing a standardized close process, close checklist and submission package across the region to enhance consistency ► Introducing a quarterly management reporting template and post close meeting updates to provide visibility into the Business units (BU’s) financial results and enable better communication with BU controllers ► Assessing and compiling training needs for each BU to further enhance the technical and other skills of the employees within the controller organization</td>
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Business tax advisory – a large insurance client

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<td>► As a result of the proposed regulatory changes, the client’s existing business structure proved to be inefficient and ineffective. The client was looking to restructure its book of business</td>
<td>► We helped the client develop an outline structure to recharacterize the book of business, while ensuring the maximum efficiency from tax, actuarial and regulatory perspectives. This entailed developing the structure, analysing the expected implications on the key areas of consideration and formulating an approach to cope with changes in the regulatory or tax environments</td>
<td>We successfully assisted the client in developing a structure that achieved optimal efficiencies from tax, legal and regulatory perspectives. In addition, we were able to draw on our industry experience to connect the client with another insurer that would be affected by the proposed changes in a similar way. The two were able to achieve economies of scale with regard to the planning and lobbying of the relevant authorities more effectively</td>
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Internal control – a large FMCG company

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<td>► The company identified the need to implement processes and make operations simpler, faster and more cost effective, in line with its overall strategy, it was spending close to €100m on controlling activities. The company planned to cut this figure by 50%, as well as shorten its financial reporting cycle</td>
<td>► We helped the client design and implement an effective financial control and reporting project with the aim of delivering a truly global “end-to-end” financial control process with improved quality, reduced complexity and cost and a shorter financial reporting cycle</td>
<td>► The initiative, once implemented, will help reduce the cost of financial controls by €50m/year and accelerate the financial close process from 5 weeks to 2 weeks</td>
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Some of our experiences

### Automation of the process of consolidating financial reports using SAP BPC – a large IT/ITeS company

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<td>► The company had multiple subsidiaries operating globally with varying chart of accounts. Also, the finance consolidation process was manually performed, which led to multiple iterations, errors and omissions. To correct the situation, the company wanted to implement an automated solution.</td>
<td>► We helped implement SAP BPC - finance consolidation models that were integrated with SAP ECC and other accounting packages being used across the group.</td>
<td>► We were able to help the client in standardizing finance consolidation procedures, including finalizing the group holding and reporting structure, consolidation calendars, chart of accounts and reporting as per India GAAP and management reporting needs.</td>
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### Automating transaction recording and reporting processes using leading ERP packages such as, SAP Oracle etc.

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| ► The company had multiple legal entities within the group and was facing challenge in unifying transaction recording and reporting processes. | ► Defined Enterprise Reporting Structure.  
► Defined Chart of Accounting.  
► Automated transaction recording and reporting process and controls.  
► Data migration, security, testing, training and stabilization support. | ► Automating transaction recording and reporting processes.  
► Central repository of accounting transactions.  
► Unified view of financials across the group. |

### Automation of directors notes and management and XBRL reporting using SAP disclosure management

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| ► The client was using a manual excel-based tool for statutory and board reporting processes. Data was processed on the user’s desktop. This process included company information, director’s report, financial statements and notes to accounts. | ► We assisted the client in transitioning from the current excel-based management reporting process and in automating using SAP DM.  
► The DM and XBRL solution was integrated with the BOFC - finance consolidation Solution and SAP BI - ERP transaction data. | Key features include:  
► Workflow for data collection management, report preparation and review and approval mechanism.  
► Defined reports and chapters for simplification and manageability.  
► Activity calendar and status tracking.  
► XBRL conversion and publishing. |
Our experience

► We have supported several corporate entities across sectors in India with their CFS reporting, including impact assessment, strategy, policies, procedures, setting up function and IT enablement of accounting and consolidation processes.
► The depth and breadth of our experience will give you a head start in realizing your CFS reporting vision.

Our tools and technologies

► We leverage both off-the-shelf and our MS Access/excel-based accelerators to enable CFS reporting function. These tools and technologies help our clients in reducing overall cycle time and increasing the effectiveness and efficiency of their processes.

Our integrated approach

► We leverage our multi competency teams such as assurance, tax, risk, performance improvement and IT to deliver an integrated solution based on client needs.
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