

## Industry calls for extended financial year

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Auditors and industry bodies have called for extending the financial year 2019-20 by three months, till the end of June, amid the coronavirus (Covid-19) pandemic.

Industry representatives recently met officials of the Ministry of Corporate Affairs, seeking, among other things, an extension of the financial year on grounds that “any financial statement prepared for April 2019 to March 2020, will not give a true and fair view as it does not represent one complete business cycle of the entity”.

The Confederation of Indian Industry told the ministry: “With the current backdrop of coronavirus, the entire economy is getting stagnated for at least a couple of quarters, which are a kind of missing quarters for corporates.”

The auditors cited issues such as physical verifications of inventories, fixed assets, balance confirmations, fair-value measurements, and going-concern assessments, which are difficult to carry out under the present circumstances.

An audit report, even if submitted at a later date, may not present a reliable picture if the auditors try to ascertain the key data for the March figures in June.



### WHAT'S KEEPING THEM UP

Challenges auditors face

- Physical verification of inventory
- Confirming bank balances
- Fair-value measurements
- Assessing nature of going concerns
- Impairment of assets

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Companies, too, are struggling with ascertaining their inventories due to supply-chain disruptions.

“We will have to roll back inventory figures to derive year-end numbers. This is different from physical verification done at year end. Control testing done later, which is rolled back to year end, also has its challenges. If the financial year is extended, it may help companies channelise their efforts to other priority areas at this point of time and auditors will also be able to obtain appropriate audit evidence,” said Sanjeev Singhal, partner, SR Batliboi & Co.

The government and the regulators in the last few days have taken steps to ease the compliance burden for companies, extending deadlines for filing and waiving late fees till June this year.

The Securities and Exchange Board of India last week allowed listed companies to file their fourth-quarter and annual financial results by June 30 and also extended the date for filing quarterly corporate governance reports by one month.

However, audit companies might not be able to place adequate checks and balances in place in a lockdown while compiling their report.

Deloitte India is planning to issue guidelines for companies so that they can provide minimum basic information that can help in financial reporting.

Many company experts said they were finding difficulty preparing their financial statements primarily related to areas that required management. These could relate to forward-looking cash-flow estimates, recoverability and impairment of assets, contract modifications, etc.

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