

CASE STUDY

Statutory Audit:
A company's switch
from AS to Ind-AS (IFRS)

Overview

N R Doshi and Partners are always ready to go an extra mile for every client. We aim to provide top-notch service without failing to deliver complete client satisfaction. In this case study, you will find out how we strived and conducted a statutory audit for our client, listed all the errors, and provided advice to rectify them.

The client for whom we conducted statutory audit owns an entity in the United Arab Emirates, whereas the parent entity is in India. The company is one of its kind, which makes auditing challenging as well as thrilling.

Challenge

The company used to follow AS (Accounting Standards) not only for the parent entity but also for the entity situated in the UAE. As per the UAE laws and regulations, accounting should be performed as per the IFRS, GAAP or similar internationally recognised standards. For that reason, the company needed to switch from AS to Ind-AS, which is considered equivalent to IFRS and accepted by the authorities in the UAE. In order to make financial accounts and reports of Indian companies internationally acceptable, the Accounting Standards (AS) needs to be harmonized with IFRS. Convergence to Ind-As from current accounting standards required to happen in a phased manner.

Ind-AS shall be adopted by specific classes of companies based on their net worth and listing status. One of the important conditions of convergence is, if Ind-AS becomes applicable to any entity, then it automatically becomes applicable to all its subsidiaries, holding companies, associated companies, and joint ventures of that company.

If an Indian company has foreign operations, then the stand-alone financial statements can be prepared as per the local requirements of that company, but it is required for these entities to report their Ind-AS figures for their Indian parent company to make consolidated Ind-As accounts.

Adopting a different standard requires recalculation of all the previous data and passing necessary entries in books of accounts to that effect. It changes the way in which the financial statements are prepared, it also changes the way of presentation of financial statement and modifies the principle of recognition & measurement of financial transactions.

A transition to Ind-AS, thus, has a qualitative and quantitative effect. At the time when we conducted auditing, it's been fifteen years since the company started. Therefore, all the data of those fifteen years was as per the Indian Accounting Standards. To make sure the transition from AS to Ind-AS is directed smoothly, auditing of data generated in fifteen years was required to be performed.

The task wasn't facile, but N R Doshi and Partners' auditing team is always determined to take every challenge as an opportunity to prove ourselves better than others.

N R Doshi's Audit and Assurance Service

Audit and assurance services are provided for the companies so that stakeholders can have a true and fair view of its financial position. It helps in checking whether books of accounts are accurate and UpToDate and internal controls are working as intended, detecting fraud, providing advice regarding better management, etc. We even ensure that our service is best amongst all audit firms in UAE, which functions as per the law and regulations, keeping your company compliant with the local and international auditing and accounting standards.

Independent auditing must be performed by a reputed auditing firm such as N R Doshi & Partners, which is approved by all the banks of UAE.

We are highly regarded approved auditors all over the UAE

Earn the trust of stakeholders and investors

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<https://nrdoshi.ae/service/audit-and-assurance/>



Challenge Accepted

It's a huge challenge to perform transit from AS to Ind-AS, as there are many differences between AS and Ind-AS. With the active involvement of the client management and support of various departments like Finance, IT, Compliance etc., we were able to manage the transit successfully.

Since we were required to conduct the audit of the data the auditing of the data collected in fifteen years, it required a team of experienced individuals who have knowledge of all significant Ind-As and schedules. It also required a high degree of professional judgment in identifying the transition impact and making the required disclosure notes.

Conversion from AS to Ind-AS is a strategic matter. We started by developing a roadmap considering various factors like internal control framework, accounting software support, risk management objectives, and legal & regulatory framework. Further, transition process involved not only accounting but also control framework, people's aspects, process refinement, and also has a technological impact.

The roadmap was ready assessing the potential impact on each department in the organization viz., accounts, HR, Compliance, and IT. After going through all the financial statements, we explained the various frameworks.

We analysed the impact of Ind-AS on standalone and consolidated financial statements and determined the IFRS related implications of the adoption and identified the magnitude of change on the company

We suggested to them suitable changes in the chart of accounts structure to accommodate additional chart of accounts. We also developed the change management strategy and suggested necessary changes in processes. The whole process took fifteen days, where we detected significant errors.

They accepted errors identified by us and worked to rectify them. At last, we also facilitated the knowledge transfer for ongoing compliance with the Ind-AS reporting. As you can see, we not only provide the opinion but also give guidance to remain compliant with the law. We were able to ensure that they remained compliant with the laws.

Conclusion

After the company rectified errors, we conducted the auditing again, and then the statutory audit got completed and financial statements were signed. The Audited financial statements were then filed with the government authorities. This also helped the company to maintain an excellent reputation in front of stakeholders and customers. The client was happy with the value addition done by N R Doshi in terms of a smooth transition to Ind-AS, standardization of accounting processes in compliance with Ind-AS, and greater consistency in the application of accounting policies.

About N R Doshi & Partners

N R Doshi and Partners prides itself on being a firm that does not only meet but exceed client expectations every single time. This has only been possible due to our talented and dynamic team, comprising of versatile, qualified, and creative individuals.

The company has travelled a thirty four years-long journey of experiences and reached to a height where the name itself has a branding symbol. N R Doshi & Partners, headquartered in Dubai, holds offices at seven different locations in the UAE. As we are affiliated with DFK International, we get the expertise of various local markets. This provides support to our global clients who wish to start their businesses at the locations where our DFK associates are situated.

We enable business owners focus on the core/sole aspects of their business. We are here to handle the core business processes which are present in any business you own. If our client offers us an opportunity to serve them, we will make sure that their burden gets lower down.

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