

OVERVIEW OF CORPORATE REPORTING ENVIRONMENT IN INDIA

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ABSTRACT

Corporate reporting has become an integral part of corporate sector process. It is the need of every stakeholder and due to ever-changing market environment companies are facing lot of challenges to make it effective. Earlier the companies use to report only limited amount of information as a part of corporate reporting process but this scenario has changed a lot now. At present various regulatory bodies have made it mandatory for companies to report sufficient information along with basic and traditional accounting statements. There are various laws and provisions regarding effective implementation of corporate reporting. These all constitutes a corporate reporting environment. In this article the corporate reporting environment in India is discussed very briefly. The data is of secondary nature.

KEYWORDS: Corporate reporting environment, disclosure practices, published statements.

INTRODUCTION: Corporate Reporting has gained lot of importance in the modern era of Liberalization, Globalization and privatization. Earlier the companies were required to disclose minimum basic and essential information only which was in the form of some basic accounts. But nowadays various regulatory bodies have made it mandatory for companies to comply with various provisions which are aimed at meeting the global standards of reporting. Earlier main stress was given on disclosing the financial information only. But with the passage of time there is growing urge to disclose the non-financial information too which give valuable guidance to the stakeholders as well as others. As a result now various regulatory and statutory bodies have given various provisions to make reporting as transparent as possible.

OBJECTIVE OF THE STUDY

The objective of this study is to have a brief understanding of corporate reporting environment in India.

DISCUSSION

Corporate reporting environment in India can be discussed under the following two heads:

A) Corporate Disclosure Legal Environment In India

B) Corporate Reporting Practices in India

A) Corporate Disclosure Legal Environment in India: It consists of various regulatory concerns regarding disclosure in India. These are as follows:

1) Legal Requirements: It consists of various provisions of Companies Act 2013 and Income Tax Act, 1961 which are applicable on corporate reporting. These are discussed in detail as below:

a) Companies Act , 2013: It laid down following provisions:

- i) Accounting books should be maintained on accrual basis and according to double entry system.
- ii) Profit and Loss and Balance Sheet of the company must be disclosed by directors in every Annual General Meeting.
- iii) Schedule III Prescribes format for Profit and Loss and Balance Sheet of the company.

b) Income Tax Act, 1961: It laid down the following provisions:

- i) Tax Audit has been made mandatory for companies.

- ii) Accounts can be maintained on accrual or cash basis but not on hybrid system.
 - iii) Prescribes different methods for valuation of inventory under the head "Profit and gain from Business and profession".
- 2) Accounting Standards and Guidance Notes by ICAI:** Around 32 Accounting standards along with 30 guidance notes issued by ICAI. All Indian companies have to follow these accounting standards and guidance notes.
- 3) IASB's and IFRS requirements:** International Accounting Standard Board (IASB) has issued 41 International Accounting Standards and International Financial Reporting Standards (IFRS) has also contributed 13 International Financial Reporting Standards to bring harmonization in divergent accounting practices.
- 4) Directors Responsibility Statement:** It is a statement by Board of directors regarding the compliance of various accounting standards, safeguarding the company assets, Maintenance of proper accounts, detection of errors and frauds and estimates regarding daily affairs of the company.
- 5) Recent trends and emerging issues in Disclosure:** It includes recent trends and emerging issues in disclosure such as:
- a) Human Resource Valuation Reporting
 - b) Segment Reporting
 - c) Social Cost and Benefit Analysis
 - d) Interim Reporting
 - e) Environment Issues
- B) Corporate Reporting Practices in India:** In India various companies report their financial as well as non-financial information according to the provisions which apply to them. So there are different corporate reporting practices of companies in India. These are discussed as below:
- 1) Reporting by Banking Companies:** Banking Companies in India have to prepare their financial statements according to provisions of Banking Regulations Act, 1949. They are under the control of Reserve Bank of India. The various practices followed by banking companies regarding their accounts are:
- a) Proper Format for Profit and Loss Account and Balance Sheet.
 - b) Rounding of figures to nearest thousands.
 - c) Hindi version of statements will be an integral part of annual report.
 - d) Asset Classification and Prudential Norms.
- 2) Reporting by Electricity Companies:** In India the business of electricity generation and distribution is regulated by Indian Electricity Act, 1940 and Electricity Supply Act, 1948. Electricity Companies have to maintain their accounts in the proper format and then submit them to comptroller and auditor general of India (CAG) for audit. After that audited accounts are submitted to the central electricity authority as well as state government.
- 3) Reporting by Insurance Companies:** Insurance companies in India include Life Insurance Companies and General Insurance Companies. Both are under the control of Insurance Regulation and Development Authority (IRDA). Insurance company in India has to prepare and publish their financial accounts according to formats provided by IRDA. The financial statements of Insurance Companies Consists of following three Statements:

- a) **The Revenue Account:** A revenue account is prepared for Particular class in respect of which insurance company is required to keep separate accounts. The profit obtained from various revenue accounts is transferred to general profit and loss account.
 - b) **Profit and Loss Account:** The profit obtained from various revenue accounts are transferred to this profit and loss account on credit side and various expenses, provisions and other appropriations are debited to this account.
 - c) **Balance Sheet:** Separate Balance sheets need to be prepared for each class of insurance business so that financial position of each class of business can be clearly ascertained. A combined balance sheet may also be prepared along with individual balance sheets.
- 4) **Reporting as per Listing Agreements with Stock Exchange:** All the listed companies will have to make following disclosures:
- a) **Quarterly unaudited financial statements:** Companies registered at stock exchange will have to publish unaudited quarterly financial statements to the stock exchange.
 - b) **Segment wise revenue results:** Listed companies also have to prepare their financial statements segment wise and submit them to stock exchange along with unaudited quarterly statements.
 - c) **Annual audited results:** Companies may publish audited results for the entire year within 3 months instead of publishing unaudited results for the last quarter.
 - d) **Unaudited quarterly results by banks:** Banking companies will have to publish unaudited quarterly financial statements in the format prescribed according to SEBI.

CONCLUSION

The conclusion is that there are various regulatory laws and provisions related to corporate reporting process which every company has to comply with. In addition to this there are various regulatory bodies which always keep an eye on the activities of the companies. But corporate reporting environment in India needs to be tightening up even more as a further step in building effective corporate governance system.

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