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NEWSLETTER

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Mr. Aashish Patil

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The amendments in Schedule III from an Auditors point of view.

As we all know MCA came out with a vide notification dated March 2021 effective from F.Y. 21-22.

Let me highlight you the amendments bought in which increases not just the assurance scope but all brings in new opportunities and transparencies for stakeholders of financial statements

I have categorized the same into 3 parts 1st more disclosures 2nd cosmetic changes and 3rd new requirements.

First let's look into the disclosures part

1. Trade receivables Trade Payables and CWIP – the ageing brackets have been introduced bifurcated as not due to 6 months 6months to 1 years 2 to 3 years and more than 3 years

In CWIP along with this cost over runs etc. also needs to be disclosed also project in progress and under suspension needs to be disclosed.

2. For CSR instead of just amount spent we need to disclose shortfall and previous year dues with nature of expense.

3. Company if struck off by ROC or Declared as wilful defaulter or Any proceedings are initiated against it under Benami properties act or Any charges have been satisfied beyond statutory period or Any unrecorded income disclosed after current year tax assessments needs to be disclosed

4. If title deeds are not in name of company or Company is under any scheme of amalgamation covered under section 230 to 237 then it needs to disclose the same.

5. If company is dealing in virtual digital assets like crypto needs to be disclosed.

6. Promotors shareholding and % change needs to be disclosed.

7. Borrowed funds invested or lend or loaned or advanced such funds or has provided guarantee against it to ultimate beneficiaries shall be disclosed.

<u>Reclassifications or cosmetic changes</u>

1. Reclass of lease liabilities from other financial Liabilities to separately shown on face.

2. Reclass of current maturities of long term debt from other financial liabilities to short term borrowings.

3. Security deposits to be shown under other financial assets rather than current practice of showing under loans.

<u>New requirements:</u>

1. Ratios the MCA now requires companies to provide Ratio analysis covering liquidity profitability and operational ratios.

This Categorizations are not given in Schedule III or the notification it is based on my personal understanding.

Mr. Saurabh Hanumant Jadhav

WRO0712162

Decoding the impact of COVID-19 on Real Estate Sector

With the national GDP plunging into negative numbers, the country seems to be facing one of its worst economic slowdowns. The real estate sector, too, touched the lowest figures during nationwide lockdown. While construction activities came to a sudden halt, reverse migration of labourers to their home state made the continuation of work even more difficult. Builders and developers faced severe liquidity sparsity and homebuyers lost a significant interest to buy a property after the job market seemed uncertain.

“It is not the strongest of the species that survives, nor the most intelligent that survives.

It is the one that is most adaptable to change.” - Charles Darwin
This famous quote perfectly fit in the current situation. Understanding the impact of coronavirus on each and aspect of real estate is crucial to plot the future trend.

Residential and rental properties in India

COVID-19 basically came as a sin for the economy as it leads to many consequences for the billions of people residing in the country. Real estate sector, especially talking about the residential properties, got impacted due to the lockdown imposed. The construction and possession of the properties left incomplete due to the lockdown. Because of high labour migration that happened all over the country. This sudden strike to the economy definitely hampered the sector in a way. As per the report, the sale of houses in the metropolitan cities in the country reduced by 54% due to COVID-19. The launch of new homes during this period dropped by 46%. This affected the pricing environment with developers, and developers left with the choice of either giving discounts or some financial benefits to the buyers.

Many developers are skeptical and have their reservations around the launch of new projects considering the current situation. In such cases the builders will focus on finishing the existing projects. Thus, new project launches are expected to see a fall by 15 to 20 per cent this festive season. There will be a few exceptions such as projects which are already in the soft-launch stage and a fair amount of marketing is spent on it.

On the other hand, the rental business also got a parallel effect. This pandemic led to sudden lockdown which compelled people to migrate back to their cities due to mass unemployment. Residential rented properties in Mumbai are witnessing a major change. The rents of 3 BHK flats at a prime location in Bandra West which never rented below Rs.90,000 per month are now available for Rs.65,000 to Rs.70,000. The price dropped drastically by 28% still no takers are available. This outbreak led the landlords to renegotiate with the tenants to keep their houses occupied. The owners will be forced to decrease the price so as to keep their properties occupied. People basically dependent on the rental income are agreeing to rent-out the property at a rate which is much lower than the standard rate.

The government of various states of the country came forward to help the landlord and tenants' relationship. Like, the Government of New Delhi has issued an order asking all landlords not to demand rent for one month from workers, including migrants, who have been devastated by the Coronavirus induced lockdown. The landlord will be booked under Disaster Management Act, 2005 if found violating the order.

Commercial properties

Before COVID-19, the office markets performed well even after seeing a general slowdown in the economy. In 2019, the commercial properties had an estimated total inflow of around $970 million.

After the lockdown declared post March 2020, the commercial properties have been impacted and thus, the rents of the properties have fallen.

The average monthly rates of grade A offices in Bandra - Kurla complex are something between Rs.18000 to Rs.27000 per month, which are much lower than the price paid pre COVID-19. All the non-A-grade offices rents have a fall of around 15% to 20%. This pandemic had thrown many challenges on the businesses and they just had to adjust to the new norms of home policy. Due to lockdown many companies had to work on a remote basis. This factor of work from home has affected the productivity of the companies due internet connections issues. After the government allowed reopening offices with some restrictions the sector is seeing a rise and conditions will normalize in due time.

COVID-19 and stock market crash

The situation in the stock markets across the world is depressing. This can be observed in the current market situation: frequent crashes, negative growth, continuous downfall. This is not the story of just one stock market rather can be observed all over the parts of the world. The fall is in parallel with the global standard indices as the domestic market (Indian market) usually tracks/moves alike the major global indices; it could be expected to have high undulations and is likely to continue in the near future. Besides, with overseas investors (FPIs) flying to the safety of dollar-backed assets from emerging markets has resulted in a sharp down-fall in the Indian Stock Market. In the FY20 the mid-cap index fell by 26% while the Sensex fell by 22%.

Stock Of Real Estate Companies

DLF, Embassy office, Oberoi realty, Godrej prop are some of the significant players of the real estate stock market. Trend analysis shows that all are highly affected due to COVID -19 pandemic. Stocks whose value was in the range of 500 – 550 in the mid of 2019 had significantly decreased to 100 – 200, most of the projects of real estate became stagnant and caused heavy losses to the firm which eventually decreased their value. It is assumed that in the coming year of 2021 real estate companies would be able to grow and increase their commercial activities even in international markets.

Recovery in the current market

Until economists know how quickly and thoroughly health challenges will be won, it is difficult to predict recovery in the market, across all sectors the downfall could be analysed for the year 2020. Recovery in the market totally depends upon how quickly pandemic overs and how companies use this recession period effectively and efficiently for planning and restarting their system. It is expected that global trade will soon regain. Once this pandemic is over, the negative moving stock market could be observed to move in a positive direction. Regain is expected to be much faster in Indian market too.

Real Estate Investment Trust (REITs)

The pandemic has disrupted the real estate sector adversely impacting the Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) as well. The recent reports suggest that outbreak of this virus is expected to be a hurdle for planned investment and fundraising activities through REITs this year. REITs being a major source of funds for builders and contractors, the construction work has been on a halt since the outbreak of COVID-19.

According to a recent report by JLL, construction delays are impending, and buyers will take longer to make decisions, resulting in a **20-30%** drop in leasing rates, directly affecting income sources of REITs.

The Securities and Exchange Board of India (SEBI), the capital market regulator, has offered temporary relaxations in compliance requirements for REITs but these relaxations are short lived and the government should provide more relaxation to this sector in order to curb the impact of the pandemic.

Understanding REITs

A real estate investment trust pools funds and holds them for regular income and these funds are invested in major real estate projects just like mutual funds. Most of the REITs are traded on major stock exchanges, and they offer numerous benefits to investors. In India, REITs were first introduced by SEBI in 2007, around 50 years after the global launch. Some of the famous REIT issuers are Mindspace Business Parks, Blackstone group, Embassy Office Parks REIT Ltd., etc.

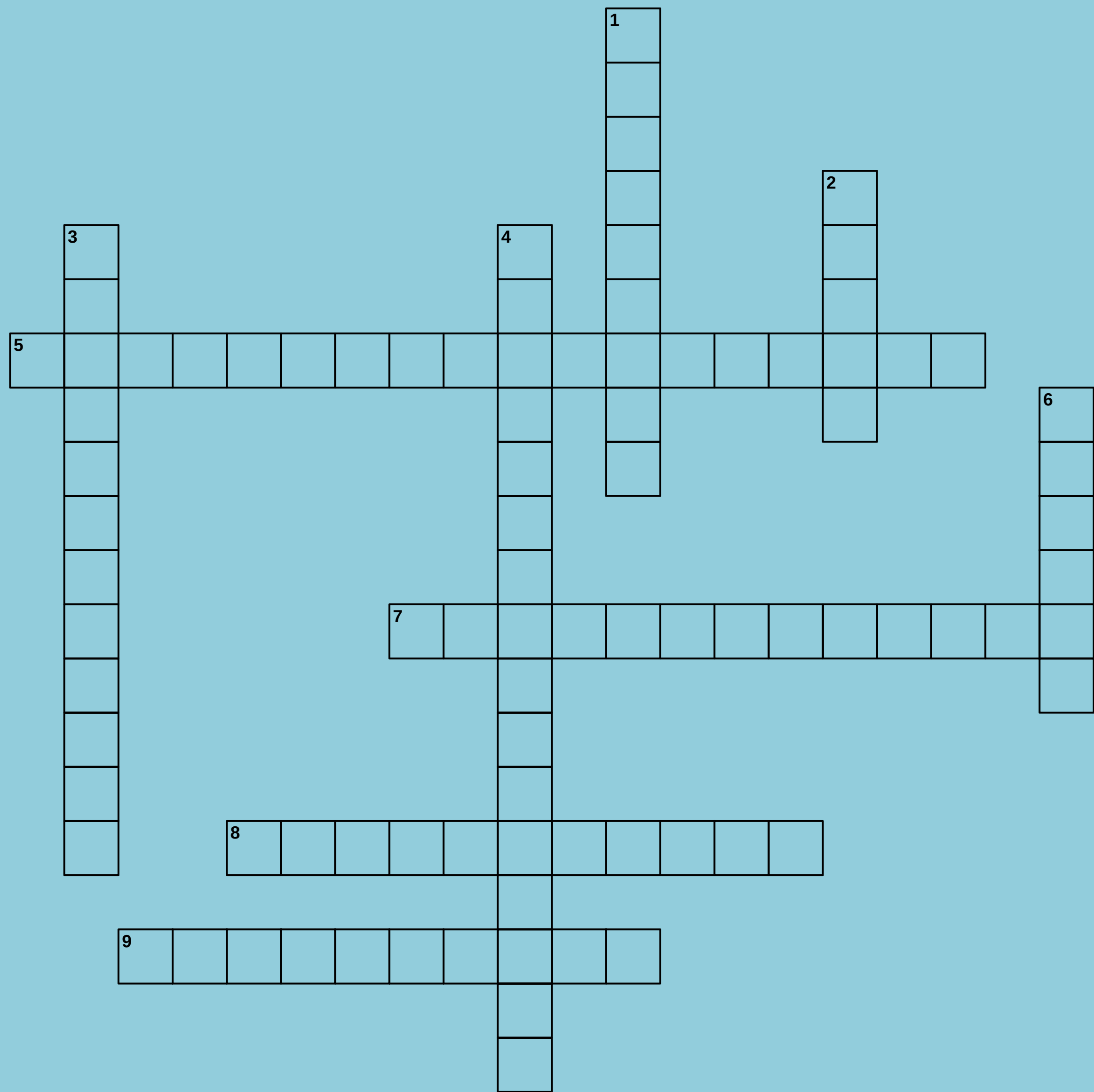
Way ahead

With the future trend being bleak and uncertain, the real estate sector needs to transform the way they do business. The power of computation and the internet will give wings to the business to some extent. In a step towards this direction, online property listing websites such MagicBricks and housing.com have introduced virtual visits to the sites. Given the country’s awful employment and economic landscape, a revival in the real estate sector can help to escort the economy. The workers who have migrated will then need no further incentive in getting back to work at the earliest.

For those who have their savings ready, it is a great time to invest in real estate as the prices are low.

Flag hoisting on the occasion of 15th August, 2022

Audits Crossword



Across

[5] Totals for the vault by denomination printed from sym and branch totals.

[7] When performing an audit and our drawers are over the limit the teller can receive a ....

[8] Extensions of the vault that need to audited as well.

[9] When cash machines are not audited the same day as the vault it is considered ....

Down

[1] Cash that is tracked during each audit.

[2] Accounting for funds assigned to a drawer.

[3] Teller/Vault has not performed a transaction we use....

[4] Drawers that are sold back and forth between vault and teller.

[6] cash machine errors daily report can help find a ....