

ICAI has come out with Exposure Drafts of Guidance Notes on Financial Statements of Non-Corporate Entities.

At the outset, we must appreciate the ICAI technical team for issuing a lucid yet comprehensive exposure drafts; which will be extremely useful for all the stakeholders and it goes in a long way in improving the readability and understandability of financial statements of its users; an extremely important step taken by ICAI aligned with the need of the hour.

We have gone through with the contents of the respective exposure drafts and our comments in this regard are as under:

1. **GN missing out on disclosing mode of inventory valuation:** Both the cited guidance notes remain silent on disclosure by way of mode of valuation of inventories. As per our considered view, mode of valuation for each class of inventories should be disclosed beneath the caption of "Inventories" so as understand the users of the financial statements in a clear way as to the valuation of inventories adopted by the enterprise.
2. **GN have not inculcated disclosure of unbilled revenues:** In recent times, India has seen surge in the value of commercial transactions with the economy observing significant growth and it reflects in the volume of Indian Conglomerates. Certain sectors like Infrastructure and Power have seen unprecedented growth in recent times. This sector is still largely operating through SPVs and are structured as a status quo of non-corporate entities. The accounting practices in these sectors are to book unbilled revenues basis certain assumptions basis the percentage of completion method. The guidance note must state the disclosure for unbilled dues to be disclosed separately so as to better understand the financial statements of companies.
3. **GN goes on to disclosing separately gratuity expense inadvertently, which otherwise are averted for disclosure in the wake of specific disclosure availability:** It is observed that schedule pertaining to "Employee benefits expense" discloses a separate line item of disclosure as 'Gratuity expenses' inspite of the fact that a separate disclosure in the same schedule related to 'Contribution to provident fund and other funds' already finds a place which according to us is inclusive disclosure in nature and takes in to its ambit gratuity expenses too. Hence, a separate disclosure of 'gratuity expenses' in this regard is not warranted.