

Common Errors in Auditing

Non - Compliance of Accounting Standards

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AS-22 Accounting for Taxes on Income

Disclosed/Presented in FS	Observation by FRRB
Various companies disclosed Net Deferred Tax Assets (DTA) in Financial Statement after the head Net Current Assets.	Para 30 of AS 22 requires separate disclosure of DTA after the head Investments on the face of the balance sheet.

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Source : FRRB publication on Common Errors

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AS-26 Intangible Assets

Disclosed/Presented in FS	Observation by FRRB
Accounting Policy on ' <i>Deferred Revenue Expenditure (DRE)</i> ' stated that, "expenses incurred on seed marketing, public/capital issue, preliminary expenses and rental paid for pre-commencement of retail stores & factories had been treated as <i>DRE</i> which are being amortised over the life of the concerned items".	Expenses incurred on seed marketing, public/ capital issue, preliminary expenses and rental for pre-commencement of retail stores & factories cannot be considered as a Resource controlled by the enterprise and hence does not meet the criteria of Asset as per para 6.2 of AS 26.

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AS-26 Intangible Assets

Disclosed/Presented in FS	Observation by FRRB
Accounting Policy on 'Intangible Asset (IA)' stated that, "Technical know-how is amortised over the useful life of the underlying asset and amortisation is done on straight line basis".	As per Para 94 of AS 26, Intangible Asset should be amortised over its useful life or 10 years, whichever is earlier , however, if it is more than 10 years, then the reason should be disclosed. Hence, the stated policy was not in line with AS 26.

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AS-26 Intangible Assets

Disclosed/Presented in FS	Observation by FRRB
Accounting Policy on 'Intangible Asset (IA)' stated that, Intangible assets are recognised: <ul style="list-style-type: none">• When they are expected to provide future enduring economic benefits and• In the year in which the relevant assets is put to use.	As per AS 26, Intangible assets expected to provide future enduring economic benefits should be recognised with reference to the date when an intangible asset is available for use rather than when it is put to use.

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