

A New Era in Financial Reporting



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In any industry, whether manufacturing or service, we have multiple departments, which function day in day out to achieve organizational goals. The functioning of these departments may or may not be interdependent, but at the end of day they are linked together by one common thread – Accounting & Finance department. The accounting & financial aspects of each and every department are recorded and are reported to various stakeholders or users of this information. The financial statements provide entity's performance during the reporting period and financial position at the end of the reporting period.

Financial reporting is thus considered as the product of accounting, comprising of the following components:

- The financial statements – Balance Sheet, Statement of Profit & loss, Cash flow statement & Statement of changes in equity
- Accounting Policies and notes to financial statements
- Quarterly & Annual reports (in case of listed companies)
- Prospectus (In case of

companies going for IPOs)

- Management Discussion & Analysis (In case of public companies)

Financial Reporting in India is governed by various regulations depending on nature of business and type of organization e.g. The Companies Act for companies. In addition, Accounting standards are also required to be followed as per regulatory requirements. These standards are prepared by the Institute of Chartered Accounts of India (ICAI) and ensures uniformity across various diversified industries when they prepare & present their financial statements.

Fundamentally, there are two diverse types of reporting viz a viz Financial reporting for various stakeholders & Management Reporting for internal Management of an organization. Both these reporting are important and are integral part of Accounting & reporting system of an organization. Considering detection of frauds in recent past and increasing awareness in society, besides significant changes statutory &

other regulatory requirements, Financial Reporting has come into limelight in any organization. Of course, a sound & robust financial reporting system across industries, promotes good competition and facilitates capital inflows which in turn helps in economic development.

Over the past decade, the nature of financial reporting has evolved to meet the changing needs of users. Business and capital markets have become more challenging, with greater complexity in business models, sources of risk and uncertainty, as well as greater sophistication in how risk is managed. Financial reporting has had to keep up with these changes, perhaps most significantly with more widespread use of fair value accounting, which often involves more complex and judgmental measurements.

New Era

As against the traditional methods wherein manual system of accounting was followed in most organizations which posed immense practical difficulties. Drafting of the annual statement of accounts was a task earlier

whereas now we have moved towards an era of financial reporting where accounts are maintained on real time basis. All this has been possible because of the introduction and adoption of ever improving technology.

Over the last decade, we have witnessed the rapid adoption of cloud-based applications across IT environments. These are systems whose data is easily accessible and talk readily to other systems. Consequently, the ability to produce useful and meaningful whole of business reporting is far easier than it has ever been.

Accounting records these days are maintained on ERP which makes the extraction of data from the underlying books of accounts faster. For many businesses, it is becoming the hub of their business systems. Accounting software and packages, today are so progressed in their development that they connect to bank feeds automating bank reconciliations, creditor payments and debtor receipts. Systems can integrate with equally advanced applications for the automatic posting of sales occurring at stores as well as report on inventory.

Management is seen not only achieving this efficiency but investing the efficiency dividend in getting more meaningful reporting on their business that is readily available. Consequently, traditional financial statements are becoming redundant in business reporting for owners and managers in today's time. They are being replaced by meaningful management reports that are easy to tailor to ensure they communicate the true drivers of business performance. Useful information like the ageing of stock on hand,

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performance of stock categories, working capital performance and margin analysis all reported with accuracy on a single page.

At a click of a button one can have a management report ready for you to review that represents



your whole business. Efficient, integrated systems are not the domain of expensive IT systems like SAP. Meaningful management reporting is no longer the domain of specialist software consultants. This functionality is accessible to businesses of all sizes and importantly is far more affordable. The most significant outcome of this change in the business environment is opportunity for business owners to be better informed about the performance of their business quickly and wherever they may be.

We live Technology

As they say, "It is not that we use Technology, we live technology". Technology has become an inadmissible part of our day to day lives, so much so that it plays a crucial role wherever we go and in whatever we do.

Likewise, Financial Reporting in this era of the 21st century has indeed evolved over time owing solely to the enhancement of technology and how professionals have come to adopt this advancement. Seemingly extraction and utilization of the financial data has become a lot easier as compared to the ancient times where primitive methods of book-keeping were followed. ■