

ICAI proposes increased disclosure by listed cos

Accounting authorities are considering a proposal that will ask listed companies to disclose the extent of their holdings in risky regions or in volatile financial instruments, on the grounds that stakeholders need to be informed about the impact of such exposures.

The proposal, which will have to be prepared by the Institute of Chartered Accountants of India (ICAI), the nodal accounting body, may make it mandatory for companies to mention the disclosure either in the form of a summary or as an annexure to their financial statements and will also contain a prudent assessment of the challenges, said a person familiar with the development.

The modalities of such disclosures will, however, have to be worked out in detail as it is still not clear how risky regions will be estimated and who will do the study on the perception of the risk, said auditors. Currently, companies voluntarily disclose sensitivity analysis for each currency where they have significant exposure and also mention the extent of their exposures in troubled regions.

Typically on such issues, the ICAI recommends its proposal to the ministry of corporate affairs which, along with markets regulator Sebi, makes the final notification. Recently, the institute had also given its recommendations on the issue of extending relief for companies burdened with mark-to-market losses on forex loans, after the rupee dipped. "The Institute encourages making necessary disclosures.

It may be mentioned that Accounting Standard 11 asks entities to disclose their foreign currency risk management policy," said ICAI president G Ramaswamy. "We have already issued an announcement which requires disclosures in financial statements with regard to unhedged foreign currency exposures," he added.

The proposal on increased disclosures may have been mooted after Indian companies suffered huge losses due to their investments in some countries.

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