



Reporting under FEMA & FEMA from Auditors Perspective

Harshal Bhuta

M.Com., F.C.A., A.D.I.T., LL.M. in Intl. Tax Law
(Wirtschaftsuniversität Wien)

Reporting Under FEMA

Reporting Requirements – FDI – EMF, SMF & FLAIR



Entity Master Form (EMF)

- Entity User is only with respect to an entity which has received foreign investment or is in the process of receiving foreign investment.
- Entity is required to provide details of foreign investment, including indirect foreign investment, in the Entity Master.
- For a newly incorporated entity, latest up capital on fully diluted basis should be entered with other details as zero.
- Details entered in the Entity Master are reflected as pre transaction values in the Shareholding pattern in SMF.
- Upon successful acknowledgement of the filed forms at AD level in SMF, the entity master details are automatically updated with the post shareholding pattern as per the acknowledged form.
- If incorrect details have been filed in Entity master, specific correction request needs to be made and suo moto changes are not allowed in Entity Master.

Entity Master Form (EMF)

Sample Entity Master Form:

The screenshot displays the 'Entity Master Form (EMF)' with the 'Entity Details' tab selected. The form contains the following fields and options:

- Entity Type:** Radio buttons for ☒ Company, ☐ Limited Liability Partnership, and ☐ Startup.
- Corporate Identification Number (CIN):** Text box containing 'U27100MH2017PTCXXXXXX'.
- Name of the company/LLP:** Text box containing 'XYZ India PRIVATE LIMITED'. Below the box is the text '(as appearing in the certificate of incorporation)'.
- Date of Incorporation:** Text box containing '11/04/2017'. Above the box is the text '(DD/MM/YYYY)'.
- Permanent Account Number (PAN):** Text box containing 'ABCCS1234F'.
- Registration number, if any, as allotted by RBI:** Text box containing '(in case of FDI received by the company/LLP earlier)'.
- Whether the Company/LLP is under investigation by Directorate of Enforcement/CBI or any other investigative agency for violation of FEMA, 1999:** Radio buttons for ☐ YES and ☒ NO.

Entity Master Form (EMF)

Sample Entity Master Form:

The screenshot displays the Reserve Bank of India (RBI) Entity Master Form (EMF) interface. The header features the RBI logo and the text "भारतीय रिज़र्व बैंक" and "Reserve Bank of India India's Central Bank". Below the header, there are four tabs: "Entity Details", "Particulars", "Foreign Investment in Company/LLP", and "Foreign Investment Info". The "Entity Details" tab is active, showing a form with the following fields:

- Address***: 101 to 105, Krishna Kunj, Mumbai, Maharashtra
- PIN Code***: 400078 (with a blue arrow button)
- State/ Union territory***: Maharashtra
- District***: Mumbai
- City***: Mumbai
- Mobile Number***: +91 9044XX1XXX
- Telephone**: (empty field)
- Email***: xyzindia@xyzco.com
- Listed/Unlisted***: ☐ Listed ☒ Unlisted

Entity Master Form (EMF)

Sample Entity Master Form for Newly Incorporated Entity:



The image shows a screenshot of the 'Business Activity Details' section of an Entity Master Form. The form is titled 'Business Activity Details' and has a sub-section 'Main Business Activity **'. It contains three input fields: 'NIC Code *' with the value '22206', 'Description *' with the value 'Manufacture of spectacle frames', and 'Sector *' with the value 'Manufacturing'. Below these fields is a dropdown menu for 'Brownfield/Greenfield' with the value '---SELECT---'. A footnote at the bottom explains the asterisked fields.

Business Activity Details

Main Business Activity **

NIC Code * 22206

Description * (as defined in the National Identification Code (NIC) 2008) Manufacture of spectacle frames

Sector * Manufacturing

Brownfield/Greenfield ---SELECT---

(** In case the company is engaged in more than one activity, the applicant may mention the main business activity of the company, ensuring that all its activities are in compliance with extant regulations with respect to entry routes, sectoral caps and FDI linked conditions)

Entity Master Form (EMF)

Sample Entity Master Form for Newly Incorporated Entity:

भारतीय रिज़र्व बैंक
Reserve Bank of India
India's Central Bank

Entity Details Particulars **Foreign Investment in Company/LLP** Foreign Investment Info

Paid up capital of a company(INR) *
(on a fully diluted basis) as On Date *

10000000 28/08/2020

Foreign Portfolio Investment as on : /08/2020(date)

Investor Type	Value of shares(on a fully diluted basis)	Percentage Holding
FPI	0.000	0
NRI	0.000	0
Others	0.000	0
Total	0	0.00

Entity Master Form (EMF)

Sample Entity Master Form for Newly Incorporated Entity:



भारतीय रिज़र्व बैंक
Reserve Bank of India
India's Central Bank

Foreign Investment in Company/LLP

Particulars	Value	Percentage
Value Of Equity Shares (on fully diluted basis) other than Foreign Portfolio investment and Indirect foreign investment *	<input type="text" value="0.000"/>	<input type="text" value="0.00"/>
Foreign Portfolio investment *	<input type="text" value="0.000"/>	<input type="text" value="0.00"/>
Indirect foreign investment *	<input type="text" value="0.000"/>	<input type="text" value="0.00"/>
Total *	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>

*Note: Value Of Shares = Number Of Shares * Face Value*

Entity Master Form (EMF)

Sample Entity Master Form for Newly Incorporated Entity:

Entity Master – Company/Limited Liability Partnership/Startup

SubmitBack

Entity DetailsParticularsForeign Investment in Company/LLPForeign Investment Info

+ Add

Date of Issue/Transfer
(DD/MM/YYYY)

Description

Instrument Type / Capital Contribution or Profit Share for an LLP

Number of Instruments / Percentage of capital contribution

Whether the respective reporting has been made to AD/ RBI

☐ YES ☐ NO

Whether the acknowledgement has been received from AD/RBI

☐ YES ☐ NO

Date of Issue	Description of Issue	Instrument Type / Capital Contribution or Profit Share for an LLP	Number	Reporting made to AD/RBI	Ack received from AD/RBI	Action
No records found.						

(1 of 1)

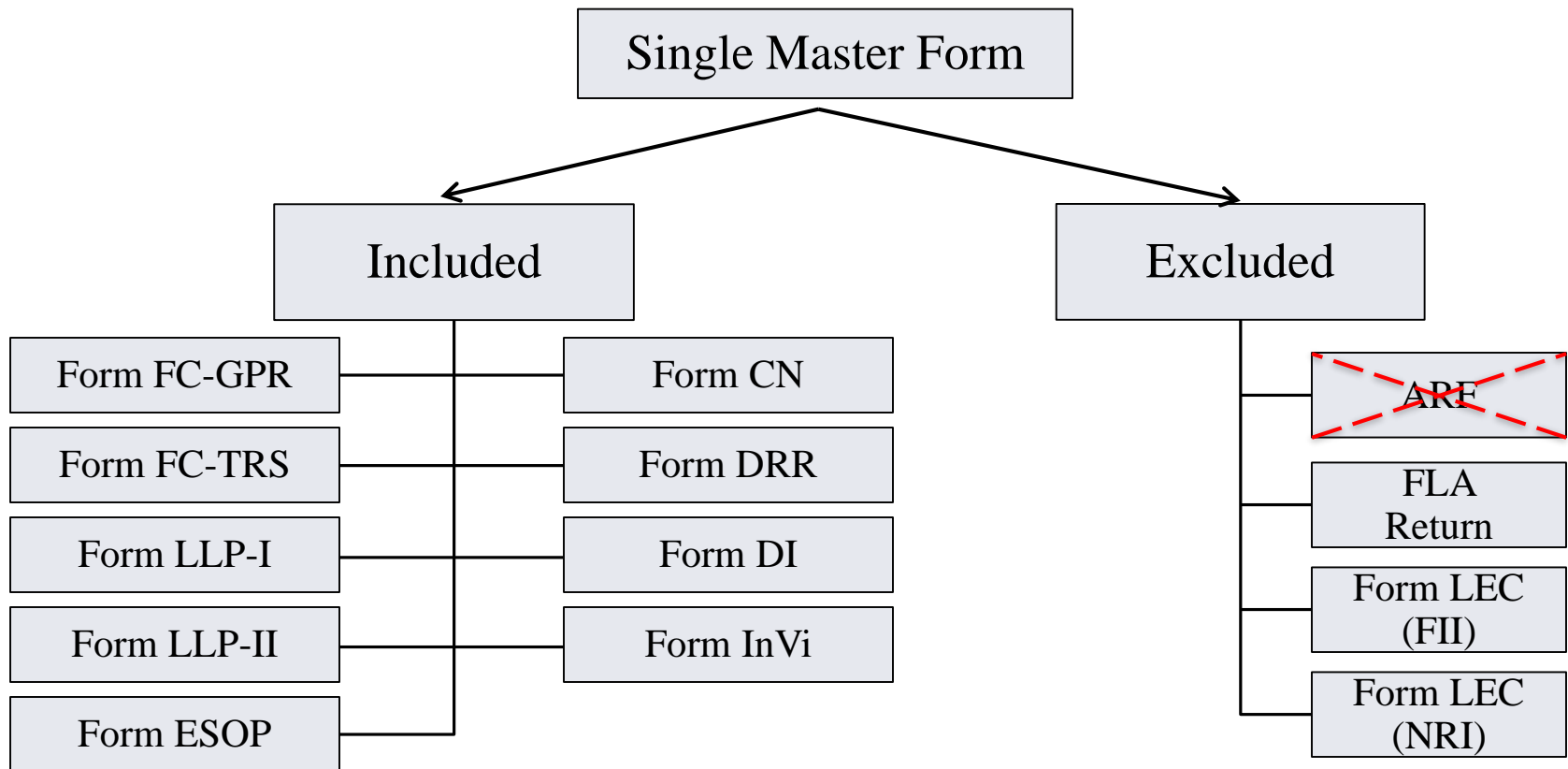
1<<>>1

5

☐ I hereby declare that I have verified the information provided in the Entity Master for the entity and certify that the information provided is true, complete and correct. In case of any discrepancy in the above information, I may be held liable for the same. These declarations and submissions are made in compliance to the Foreign Exchange Management Act, 1999.

Comprehensive Reporting requirements

- With the objective of integrating the extant reporting structures of various types of foreign investment in India, a Single Master Form (SMF) for reporting of foreign investments by companies/LLPs/Start-ups in India has been prescribed. It is a single stop form for all reporting relating to foreign investment subsuming all previously notified forms. The SMF is to be filed online.



Comprehensive Reporting requirements

❖ Salient features of SMF:

- Unlike Entity Master credentials which is entity specific, business user credentials can be obtained by any individual/ entity which is required to make filing in SMF essentially making it transaction type specific.
- Pre-transaction values in Shareholding Pattern are fetched from details entered previously in Entity Master.
- ARF is no longer required to be filed w.e.f. 01.09.2018.
- Substantial stakeholder responsibility placed on AD bank for processing all forms in SMF.

❖ Issues in filing SMF:

- Before completion of processing of previous form filing in SMF, additional forms cannot be filed.
- If for any reason form is rejected after filing, entire form needs to be filed again since there is no resubmission option.
- Late fees need to be paid even if forms have been approved with delay.

Comprehensive Reporting requirements

❖ Reporting Requirements

Type of Forms	Filing Requirement	Timeline
Form FC-GPR	Issue of equity instruments by an Indian company to PROI	Within 30 days of issue of equity instruments to PROI
Form FLA (Annual Return on Foreign Liabilities and Assets)	An Indian company which has received FDI/ Made ODI during FY	15 th day of July of each year
Form FC-TRS	Transfer of equity instruments between: <ul style="list-style-type: none"> • PROI (repat) & PROI (non-repat) • PROI (repat) & PRI 	Within 60 days of transfer or receipt/ remittance of funds whichever is earlier
Form ESOP	Indian company issuing ESOP to PROI who are employee/ directors	Within 30 days from issue of ESOP
Form Depository Receipt Return (DRR)	Depository custodian to file DRR on issue/ transfer of depository receipt	Within 30 days of close of the issue
Form LEC (FII) and Form LEC (NRI)	AD when purchase/ trf of equity inst. by FPIs/ NRIs/OCIs on stock exch. in India	-----

Comprehensive Reporting requirements

❖ Reporting Requirements

Type of Forms	Filing Requirement	Timeline
Form LLP (I)	LLP receiving consideration for capital contribution/ acquisition of profit shares	Within 30 days of receipt
Form LLP (II)	Resident transferor/ transferee - disinvestment / transfer of capital contribution or profit share between a RI and NR (or vice versa)	Within 60 days of receipt
Form InVI	Investment vehicle issuing units to PROI	Within 30 days of issue of units
Downstream Investment	<ul style="list-style-type: none"> Form DI - An Indian entity/ investment Vehicle making DI in another Indian entity which is considered IFI Intimation to DPIIT 	<p>Form DI - Within 30 days from the date of allotment</p> <p>Intimation – Within 30 days of such investment</p>
Form CN	Indian startup company issuing CN to PROI; RI transferor/ transferee at a time of transfer to or from PROI	Within 30 days of issue/ transfer as the case may be

Form FC-GPR

Sample Form FC-GPR for Newly Incorporated Entity:

Entity Details

[← Back](#)

Corporate Identification Number (CIN/LLP) *

U27100MH2020PTCXXXXXX

PAN Number *

AB FCC5678L

Company Name *

XYZ Chemicals PRIVATE LIMITED

Application Date *

20/08/2020

Details of received FDI-Entry Route and Applicable Sectoral Cap:

Entry Route *

☒ Automatic Route ☐ Government Route (Attach Copy Of Government Approval)

Applicable Sectoral cap/ Statutory ceiling *

☐ 20% ☐ 26% ☐ 49% ☐ 51% ☐ 74% ☒ 100% ☐ Others

Whether the foreign investment is received for a specific project/manufacturing unit or manufacturing plant? *

☐ Yes ☒ No

Form FC-GPR

Sample Form FC-GPR for Newly Incorporated Entity:

FC-GPR Form

Issue Details

Foreign Investors Details

Amount of Issue

Particulars of Issue

Share Holding Pattern

Date Of Issue*

19/10/2019

Nature Of Issue*

Subscription to Memorandum of Association
(MoA)

Initial FC GPR Reference Number (In
Case of Subsequent Filing)

FCGPR Reference Number

FCGPR123456789

Whether the change in the shareholding pattern due to this transaction being reported has already been accounted in the pre transaction shareholding pattern*

☒ NO ☐ YES

Paid Up Capital*

1000000.000

Form FC-GPR

Sample Form FC-GPR for Newly Incorporated Entity:

Issue Details	Foreign Investors Details	Amount of Issue	Particulars of Issue	Share Holding Pattern
---------------	---------------------------	-----------------	----------------------	-----------------------

Number of investors*

1

Details of the foreign investor / collaborator (Details of foreign residence to be given. Indian address if any should not be given)

+ Add Investor

^ General Details

General Details of Investor(s)

Name*

ABC DMCD

Address*

PO Box No 9999

Town/City

Dubai

State

Dubai

Pincode / Zipcode

999999

Country Of Residence*


UNITED ARAB EMIRATES

Constitution / Nature of the investing Entity*

Person Resident outside India other than NRI/ OCI

Form FC-GPR

Sample Form FC-GPR for Newly Incorporated Entity:

 Particulars Of Issue/Allotment to Each Investor

Particulars of issue (Capital instrument as issued to that foreign investor)

Type Of Capital Instrument *
Equity shares

Number of Instruments *
99990

Conversion Ratio (Number of equity shares per CCPS/CCDs) *
1 : 1

Number of Equity Shares on fully diluted basis *
99990

Face Value *
10.000

Premium *
0.000

Issue Price per instrument *
10.000

Amount Of Consideration *
999990

+ Add Issue Particular

Type Of Capital Instrument	Number of Instruments	Conversion Ratio(Applicable in case of CCPS/CCD/Share Warrants)	Number of Equity Shares on fully diluted basis	Face Value	Premium	Issue Price per instrument
----------------------------	-----------------------	---	--	------------	---------	----------------------------

Form FC-GPR

Sample Form FC-GPR for Newly Incorporated Entity:

Remittance Details

[Close](#)

Name of the AD Bank through whom remittance is received

Citibank NA

Address of the AD Bank

.

Town/City

Navi Mumbai

Pin Code

400

State

MAHARASHTRA

Mode of Payment

Inward remittance from abroad through banking channel

Date of Remittance*

18/11/2019

FIRC*

FIRC576

[Download](#)

KYC*

KYC576

[Download](#)

Amount in Rupees *

FIRC Number

85 XXXX

Whether the remitter is different from the foreign investor *

☐ Yes ☒ No

Form FC-GPR

Sample Form FC-GPR for Newly Incorporated Entity:

FC-GPR Form

Issue Details	Foreign Investors Details	Amount of Issue	Particulars of Issue	Share Holding Pattern
---------------	---------------------------	-----------------	----------------------	-----------------------

Amount of Issue

Total Amount of Inflow*

1000230

Total amount for which capital instruments
have been issued *

999990

Form FC-GPR

Sample Form FC-GPR for Newly Incorporated Entity:

FC-GPR FORM

Issue Details Foreign Investors Details Amount of Issue **Particulars of Issue** Share Holding Pattern

Consolidated Particulars of Issue

Type Of Capital Instrument	Number of Instruments	Conversion Ratio(Applicable in case of CCPS/CCD/Share Warrants)	Number of Equity Shares on fully diluted basis	Face Value	Premium	Issue Price per instrument	Amount of Consideration
Equity shares	99990	1:1		10	0	10	999990

(1 of 1)

1 2 3 4 5

1 2 3 4 5

Fair Value of the shares(in Rs):
10.000

Valuation Certificate
Choose

I hereby declare that I have verified the information provided in this form and certify that the information provided is true, complete and correct. In case of any discrepancy in the above information, I may be held liable for the same. These declarations and submissions are made in compliance to the Foreign Exchange Management Act, 1999. I hereby attach requisite Declaration, CS certificate and other relevant attachment(s) for this reporting. *

☒ Yes ☐ No

CS Certificate / Other Attachments *
Choose

APPROVAL
Download

Form FC-GPR

Sample Form FC-GPR for Newly Incorporated Entity:

FC-GPR Form

Issue Details Foreign Investors Details Amount of Issue Particulars of Issue Share Holding Pattern

Particulars	Pre-Transaction	Post-Transaction
Value of equity shares (on fully diluted basis) other than Foreign Portfolio Investment and indirect foreign investment or Value of Capital contribution/profit shares	0	999990.000
Foreign Portfolio Investment	0	0.000
Indirect foreign investment- Value of equity shares (on fully diluted basis)	0	0.000
Total	0.000	999990.000
Percentage	0.00	99.99

Form FC-GPR

Sample Form FC-GPR for Newly Incorporated Entity:



भारतीय रिज़र्व बैंक
Reserve Bank of India
India's Central Bank

Home | Change Password | Logout

Welcome [redacted] Ltd

Entity Details

Reset Save and Submit Save As Draft Back


Form FC-GPR

❖ Documents to be attached while filing Form FC-GPR:

- **Government approval** when investment is under the approval route;
- **Initial FC-GPR reference number** in case of subsequent filing (in case of party paid up share);
- In case **of third party payment**:
 - Name of the Remitter, Country of remitter, relationship between Remitter and foreign investor and attach the requisite documents;
- **FIRC and KYC** of the foreign investor;
- **Board Resolution**;
- **Valuation certificate**, if applicable;
- For allotments which does not involve any remittances, such as **bonus issue, merger/demerger** etc., select the mode of transfer as “others” and specify the nature. In “Date of remittance” select the date of allotment and in “Amount of remittance” enter 0 (zero). Leave the FIRC number blank;
- If the Total amount of **inflow is in excess** in comparison to amount for which capital instruments have been issued – **covering letter** stating whether excess amount would be refunded/ utilize for next allotment/ already refunded etc.
- **Declaration in prescribed format**;
- **CS Certificate in prescribed format.**

Form FC-TRS

Sample Form FC-TRS:



भारतीय रिज़र्व बैंक
Reserve Bank of India
India's Central Bank

Home | Change Password
Welcome -

Entity Details

Reset

Save and Submit

Save As Draft

Back

Corporate Identification Number (CIN/LLP)*

PAN Number*

Company Name*

Application Date*

U27100MH2010PTCXXXXXX

JKLCM1267N

KXR India Private Limited

27/08/2020

Details of received FDI-Entry Route and Applicable Sectoral Cap:

Entry Route*

☒ Automatic Route ☐ Government Route (Attach Copy Of Government Approval)

Applicable Sectoral cap/ Statutory ceiling*


☐ 20% ☐ 26% ☐ 49% ☐ 51% ☐ 74% ☒ 100% ☐ Others

Whether the foreign investment is received for a specific project/manufacturing unit or manufacturing plant?*

☐ Yes ☒ No

Form FC-TRS

Sample Form FC-TRS:



भारतीय रिज़र्व बैंक
Reserve Bank of India
India's Central Bank

FCTRS Form

Common Details

Particulars of Transfer

Remittance Details

Share Holding Pattern

Transfer by way of ☒ Sale ☐ Gift

Whether the FC-TRS reporting is ☒ New ☐ Subsequent

Whether the change in the shareholding pattern due to this transaction being reported has already been accounted in the pre transaction shareholding pattern: ☐ NO ☐ YES

Transfer from

Resident to Non-resident(including NRI /OCI on repatriation)

Transfer Type

Transfer as per Regulation 10(4) of FEMA 20(R)-Sale of capital assets

Date of Transfer


28/08/2020

Nature of Transfer

Private arrangement

Form FC-TRS

Sample Form FC-TRS:



भारतीय रिज़र्व बैंक
Reserve Bank of India
India's Central Bank

Buyer Details:

Name of the buyer *
MI Inc.

Address *
New York, United States of America

Country *
UNITED STATES MINOR OUTLYING ISLANDS

Status *
☐ Resident ☒ Non-Resident

Constitution / Nature *
Company

Seller Details :

Name of the seller *
CSK India Private Limited

Address *
Chennai, India

Country *
INDIA

Status *
☒ Resident in India ☐ Non-Resident

Constitution / Nature *
Company

In case the acquisition by the NR seller is through issue of capital instruments acknowledgement of FC-GPR may be attached. In case the acquisition by the NR seller is through acknowledgement of FC-TRS may be attached. In case of gift relevant RBI approval, if any, may be attached

Form FC-TRS

Sample Form FC-TRS:

Common Details

Particulars of Transfer

Remittance Details

Share Holding Pattern

Type Of Capital Instrument*

Equity shares

Number of Instruments*

1000000

Conversion Ratio*

1 : 1

Number of equity shares on Fully diluted basis*

90000

Face Value*

10

Transfer Price Per Instrument*

45.80

Total Amount Consideration*

4122000

Type	Number of Instruments	Face Value	Number of equity shares on Fully diluted basis	Transfer Price Per Instrument	Total Amount Consideration
Eqty	9000	10	9000	45.80	4122000

(1 of 1)

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45

46

47

48

49

50

51

52

53

54

55

56

57

58

59

60

61

62

63

64

65

66

67

68

69

70

71

72

73

74

75

76

77

78

79

80

81

82

83

84

85

86

87

88

89

90

91

92

93

94

95

96

97

98

99

100

Fair value of the capital instrument at the time of transfer (INR)

45.80

Transfer Agreement / Valuation Certificate

Choose

Form FC-TRS

Sample Form FC-TRS:

FCTRS Form

Common Details Particulars of Transfer Remittance Details Share Holding Pattern

Mode of payment- Particulars of Remittance

+ Add

Mode of Payment *

Remittance through banking channel

Name of the AD Bank *

Address of the AD Bank *

Amount received/remitted in Rs *

Chennai, India

45800000

Whether *

Payment on full consideration

Tranche Number *

1

Is Last Tranche

Whether the remitter is different from foreign investor

☒ Yes ☐ No

☐ Yes ☒ No

Tranche Number	Whether	Total Amount Received	Amount Received	Description Of Multiple payment	Amount in the previous tranche(s)	Previous FCTRS Number	Remittance Date	Description	Delete	Edit
No records found.										

Form FC-TRS

Sample Form FC-TRS:

FCTRS Form

Common Details

Particulars of Transfer

Remittance Details

Share Holding Pattern

Particulars	Pre-Transaction	Post-Transaction
Value of equity shares (on fully diluted basis) other than Foreign Portfolio Investment and indirect foreign investment or Value of Capital contribution/profit shares	0	90.000
Foreign Portfolio Investment	0	0.000
Indirect foreign investment- Value of equity shares (on fully diluted basis)	0	0.000
Total	0.000	0.000
Percentage	0.00	90.00

Form FC-TRS

Sample Form FC-TRS:



भारतीय रिज़र्व बैंक
Reserve Bank of India
India's Central Bank

Home | Change Password | Logout

Welcome [redacted] Ltd

Entity Details

Reset Save and Submit Save As Draft Back

9

Form FC-TRS

❖ Documents to be attached while filing Form FC-TRS:

- **Government approval** when transfer is under the approval route;
- Transfer agreement;
- Deferred sale consideration – **FC-TRS** to be filed **for each tranche**;
- **Valuation certificate**;
- **Consent letter of donar and donee in case of gift**;
- In case where multiple instruments transferred – Enter FV of 1 instrument and attach a clarificatory letter along with the valuation certificate(s);
- In case **of third party payment**:
 - Name of the Remitter, Country of remitter, relationship between Remitter and foreign investor and attach the requisite documents;
- **Declaration** in prescribed format;
- **CS Certificate** in the prescribed format;
- **FIRC/ Outward remittance certificate and KYC**;
- **Ack. of FC-GPR.**

Form FLA – Annual Return of Foreign Liabilities & Assets

❖ Form FLA:

- Form FLA is required to be submitted by all **India-resident companies which have received FDI and/ or made overseas investment** in any of the previous year(s), including current year;
- Form FLA to be filed before **15th July** every year;
- If the company's accounts are **not audited** before 15th July, then Form FLA should be submitted based on **unaudited (provisional) account**;
- Once accounts gets audited and there are **revision** from provisional information, file revised Form FLA by **September end**;
- Can file any year Form FLA **after due date by taking approval** from RBI;
- Form FLA to be filed on **FLAIR portal** (Link: <https://flair.rbi.org.in/fla/>);
- Refer **user manual and FAQs**.

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:



RESERVE BANK OF INDIA
Department of Statistics and Information Management

Section I

(Identification Particulars)

Form for Annual Return on Foreign Liabilities and Assets as on end - March 2020

I - Identification Details

- | | | |
|---|---|----------------|
| 1. Name of the Indian Company | : | LIMITED |
| 2. PAN Number | : | |
| 3. CIN Number | : | |
| 4. Contact Details | | |
| Name of the Contact Person | : | |
| Telephone no. (with extension) | : | |
| Mobile No | : | |
| Email (Head of institution) | : | |
| Email of Contact Person | : | |
| Designation | : | CFO |
| Website (if any) | : | |
| 5. Account closing date | : | 31/03/2020 |
| 6. Nature of Business (As per National Industrial Classification (NIC) 2008 Code) | : | Manufacture of |
| 7. Whether your company is merged/amalgamated during year | : | No |
| 8. Whether the Company is listed? | : | Yes |

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:

8. Whether the Company is listed? : Yes

Please furnish the face value of Ordinary / Equity Share on closing date of reference period in actual INR

	Classes/Type (provide number)		Face Value (in INR per share)	
	End March 2019	End March 2020	End March 2019	End March 2020
Ordinary/Share Equity	1	1	10	10
Participating preference Share	0	0	0	0
(Non-participating preference Share	0	0	0	0

Please furnish the market value of Ordinary/Equity Share on closing date of reference period in actual INR :

	Market Value (in INR Per Share)	
	End March 2019	End March 2020
Ordinary/Share Equity	70	50

9 (i) Identification of the reporting Company (in terms of inward FDI) : Others

(ii) Type of the company : Others

10. Whether the Company is Asset Management Company? : No

11. Whether the Company has Technical Foreign collaboration? : No

1

12. Whether the company has any business activity during latest financial year? : Yes

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:

Section - II (Financial Details)

1. Total Paid-Up Capital of Indian Company

Item	Shares in Actual		Amount in INR lakh	
	End March 2019	End March 2020	End March 2019	End March 2020
1.0 Total Paid-up Capital (1.0 = 1.1 + 1.2)				
1.1 Total Equity and Participating Preference Share Capital (1.1=1.1(a)+1.1(b))				
(a) Ordinary/Equity Share	1200000	1200000	120	120
(b) Participating Preference Share	0	0	0.00	0.00
1.2 Non-Participating Preference Share	0	0	0.00	0.00

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:

2. Non-Resident Holdings				
2.1 Equity and Participating Preference share capital	44000	66000	4.40	6.60
2.1 Equity and Participating Preference share capital (Sum of item-1 to item-12)	44000	66000	4.40	6.60
1. Individuals			0.00	0.00
2. Companies			0.00	0.00
3. Foreign Institutional Investors (FIIs)			0.00	0.00
4. Foreign Venture Capital Investors (FVCIs)			0.00	0.00
5. Foreign Trusts			0.00	0.00
6. Private Equity Funds			0.00	0.00
7. Pension/Provident Funds			0.00	0.00
8. Sovereign Wealth Funds (SWF)			0.00	0.00
9. Partnership/Proprietorship firms			0.00	0.00
10. Financial Institutions			0.00	0.00
11. NRIs/PIO	44000	66000	4.40	6.60
12. Others non-resident holdings			0.00	0.00
2.1.2 Participating Preference share capital (Sum of item-1 to item-12)	0	0	0.00	0.00
1. Individuals			0.00	0.00
2. Companies			0.00	0.00

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:

3. Profit and Loss Account (from P/L Account)

Item	Amount in INR lakh	
	April - March 2019	April - March 2020
3.1 Profit (+) / Loss (-) before tax	40.71	29.27
3.2 Profit (+) / Loss (-) after tax	3.03	4.54
3.3 Dividend(Interim and Final Dividend)	0	0
3.4 Tax on Dividend (if any)	0	0
3.5 Retained Profit (= 3.2 + 3.3 + 3.4)	3.03	4.54

4. Reserves & Surplus (from Balance Sheet)

Item	Amount in INR lakh	
	End March 2019	End March 2020
4.1 Reserves and Surplus	555.37	559.91
4.2 Of which, Profit(+) and Loss(-) account balance	555.37	559.91
4.3 Net worth of Company (= 1.1 + 4.1)	555.37	559.91

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:

5. Sales and Purchase made during the financial year

Item	Amount in INR lakh	
	April - March 2019	April - March 2020
5.1 Domestic Sales	0	0
5.2 Exports	0	0
5.3 Total Sales (= 5.1+ 5.2)	0	0
5.4 Domestic purchase	0	0
5.5 Imports	0	0
5.6 Total Purchase (= 5.4 + 5.5)	0	0

6. Employee Information of reporting Indian company(in actual)

Item	As at the end of	
	End March 2019	End March 2020
6.1 No. of employees on payroll (in actual)	126	146

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:

FDI - Foreign Direct Investment

1. Investment in India under Foreign Direct Investment (FDI) scheme (10% or more Equity Participation)

1.a No. of foreign direct investors as on end-march of reporting year (10% or more Equity Participation) : 1

1.a.1 Month and Year of receiving FDI first time (in your company) : /2019

1.b.1 FDI 1

Name of the Non-Resident Company Individual	Country of Non-Resident Investor	Percentage of Equity and Participating Preference share capital holding	
		End March 2019	End March 2020
Inc.	U.S.A.	0	99.99

Type of Capital	Amount in INR Lakh	
	End March 2019	End March 2020
1.0 Equity and PPS Capital (= 1.1 - 1.2)	0.00	96
1.1 Liabilities to Direct Investor	0.00	96
1.2 Claims on Direct Investor (Reverse Investment)	0	0
2.0 Other Capital (= 2.1-2.2)	0.00	16
2.1 Liabilities to Direct Investor	0	16
2.2 Claims on Direct Investor	0	0
3.0 Disinvestments in India during the year	0	0

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:

3. Portfolio Investment in India

Percentage of Equity and Participating Preference share capital holding	
End March 2019	End March 2020
30	0.65

Portfolio Investments	Amount in INR Lakh	
	End March 2019	End March 2020
1.0 Equity Securities(at market values)	11	53
2.0 Debt Securities (= 2.1 + 2.2)	0.00	0.00
2.1 Money Market Instruments (original maturity upto 1 year)	0	0
2.2 Bonds and other instruments (original maturity more than 1 year)	0	0
3.0 Disinvestments in India during the year	0	0

4. Other Investment (Outstanding Liabilities with Foreign Unrelated Parties)

Other Investment	Amount in INR Lakh	
	End March 2019	End March 2020
1.1 Trade Credit	22	39
1.2 Loans	0	0
1.3 Currency and Deposits	0	0
1.4 Other payable accounts	0	0
Total	22	39

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:

1. ODI - Overseas Direct Investment (10 % or more equity holding)

1.a No. of Direct Investment Enterprises (DIE) Abroad as on end-March of reporting : 2
year

1.a.1 Month and Year ODI made first time by your company : 2018

1.b.1.1 ODI 1

Name of the DIE	Country of DIE	Percentage of Equity and Participating Preference share capital holding	
		End March 2019	End March 2020
FZE	UNITED ARAB EMIRATES	100	100

Item	Amount in Foreign Currency (actual)	
	End March 2019	End March 2020
3.1 Reported Foreign currency	AED	
3.2 Total Equity of DIE (Paid Up Capital of DIE)	5000	5000
3.3 Equity of DIE held by you (at face value)	5000	5000
3.4 Reserves and Surplus	6821	7020
3.4.1 Of which, Profit (+) and Loss (-) account balance	6821	7020
3.5 Net Worth of DIE (3.5 = 3.2 + 3.4)		
3.6 Exchange rate in Rs per unit foreign currency	18.8494	20.5386
3.7 Total Sales	7666	14614
3.7.1 Of which Exports	3171	4638
3.8 Total Purchase	5138	8453
3.8.1 Of which Imports	4058	701
3.9 No. of Employees on Payroll	7	7

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:

1.b.1.2 ODI I

Type of Capital	Amount in INR Lakh	
	End March 2019	End March 2020
1.0 Equity and PPS Capital (= 1.1 - 1.2)	6.47	8.90
1.1 Claims on Direct Investment Enterprise	6.47	8.90
1.2 Liabilities to Direct Investment Enterprise (Reverse investment)	0	0
2.0 Other Capital (= 2.1-2.2)	6.86	0.70
2.1 Claims on Direct Investment Enterprise	8.65	6.87

6

2.2 Liabilities to Direct Investment Enterprise (Reverse investment)	1.79	6.17
3.0 Disinvestments abroad during the year	0	0

Form FLA – Annual Return of Foreign Liabilities & Assets

Sample Form FLA:

2. DI – Direct Investment Abroad (Less than 10% equity holding)

7

2.a No. of Countries where your company holds less than 10 % equity shares in each under the ODI Scheme : 0

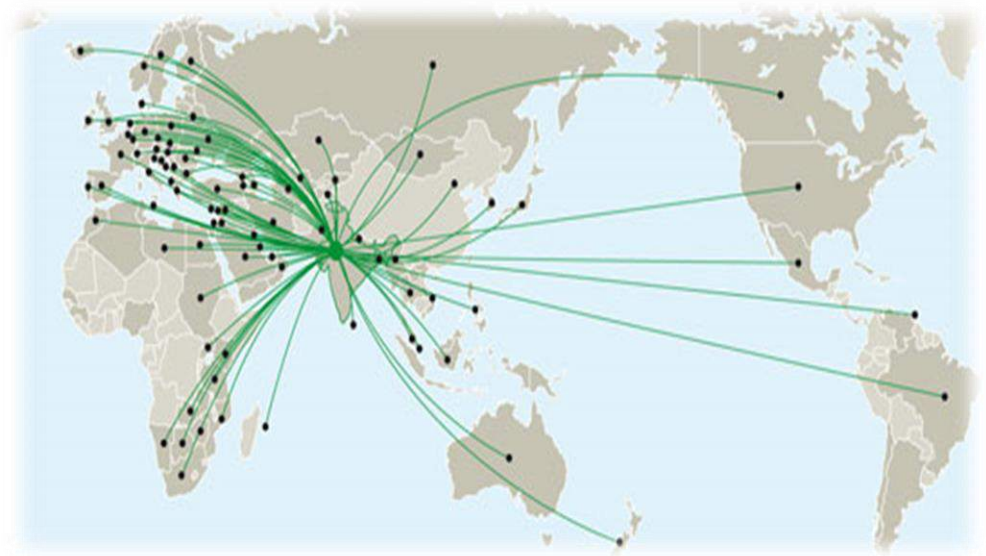
3. Portfolio Investments abroad

3.a No of countries in which your company has made Portfolio investment : 0


4. Other Investment (Outstanding Claims on Foreign Unrelated Parties)

Other Investment (Outstanding Claims on Foreign Unrelated Parties)	Amount in INR Lakh	
	End March 2019	End March 2020
1.1 Trade Credit	0	7.89
1.2 Loans	0	0
1.3 Currency & Deposits	0	0
1.4 Other receivable accounts	0	0
Total	0	7.89



Reporting Requirements – Overseas Direct Investment Regulation



Reporting requirements – Form ODI

Part of the Form	Relevance	Timeline	Comments
Part I  Foxit Reader PDF Document	Investment outside India into JV/WOS	Before making the investment	<ul style="list-style-type: none"> • Documentation will differ between Automatic route & Approval route. • If more than one IP / RI are investing in the same JV / WOS, Part I is to be submitted by each IP / RI to same AD. • Certificate by the statutory auditor shall be required only in case of IP and not in case of RI. • SDS can be Op co; Hold Co/SPV; Hold Co cum Op Co. • Post investment changes also to be reported. (See subsequent slide). • Valuation certificate to be submitted.

Reporting requirements – Form ODI

Part of the Form	Relevance	Timeline	Comments
Part II  Foxit Reader PDF Document	Annual Performance Report of JV/WOS	31 st December of every year	<ul style="list-style-type: none"> APR is to be certified by statutory auditors of the Indian Party (IP). ‘Retained Earnings’ represents part of the profits of the JV/WOS which is retained and reinvested in the JV/WOS. Retained Earnings is to be calculated as per procedure laid down by IMF in latest version of BOP Manual. Negative retained earnings is to be treated as ‘0’ (zero).
Part III  Foxit Reader PDF Document	Disinvestment of Overseas JV/WOS	Reporting on OID portal within 30 days of disinvestment	<ul style="list-style-type: none"> Disinvestment by the Indian party from its JV / WOS abroad may be by way of transfer / sale of equity shares to a non-resident / resident or by way of liquidation / merger / amalgamation of the JV / WOS abroad. Valuation certificate to be submitted.

Form ODI – Post Investment Changes




❖ Post investment changes may be reported in the relevant section as under:

Sr. No.	Type of post investment change	Relevant Section of Form ODI
1.	Change in the details of IP/ RI viz. Change in the name, Address, contact details, status.	Section A
2.	Investigation details of the IP / RI	Section A
3.	Change in the Networth of the IP	Section A
4.	Change in capital structure of the JV/ WOS	Section B
5.	Change in status of JV/ WOS from operating entity to SPV or vice versa	Section B
6.	Change in the details of JV/ WOS such as name address etc.	Section B
7.	Reporting of setup/ incorporation/ investment / disinvestment of SDS	Section B
8.	Conversion of loan into equity and vice versa	Section C
9.	Rollover/ change in amount / validity date of the guarantee already reported to the Reserve Bank	Section C

Reporting Requirements – External Commercial Borrowing Regulation



Reporting requirements – Form ECB, ECB 2

Form	Relevance	Timeline	Comments
ECB  Foxit Reader PDF Document  Foxit Reader PDF Document	For Raising FCY/INR ECB	Before raising ECB	<ul style="list-style-type: none"> • Documentation will differ between Automatic route & Approval route. • Any draw-down in respect of an ECB should happen only after obtaining LRN from RBI; • To obtain the LRN, Form ECB needs to be filed to the AD bank. AD bank will in-turn send a copy to RBI. • Changes in ECB terms and condition to be reported through revised Form ECB within 7 days. • Calculation of MAMP as per excel sheet provided by the RBI.
ECB-2  Foxit Reader PDF Document	For reporting actual ECB transactions during the month	Within 7 days from end of respective month	<ul style="list-style-type: none"> • Changes in ECB parameters to be incorporated in ECB-2 Form also

FEMA From Auditors Perspective

Importance of FEMA Audit



WHY AUDIT

Revised Code of Ethics – NOCLAR Provision

❖ Section 360 of Revised Code of Ethics:

- The ICAI has notified the applicability of the revised 12th edition of code of ethics w.e.f from 1st July 2020.
- **Section 360** of the revised code of ethics deals with professional accountants (PA) responsibility to **respond to non-compliance with laws and regulation** during the course of audit engagement of the listed entities.
- PA to **assess the implications** of the matter and the possible courses of action when responding to **non-compliance or suspected non-compliance** inter alia with other laws and regulations though they may not have direct impact on financials of client.
- PA to alert/ **discuss** with the appropriate level of **management/ those charged with governance** when responding to non compliance or suspected non compliance.
- Non-compliance with laws and regulations comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations.

Revised Code of Ethics – NOCLAR Provision

❖ Section 360 of Revised Code of Ethics:

- PA should take **steps on a timely manner**. Shall have regard to the nature of the matter and potential harm to interests of entity, investors, creditors, employees or the general public.
- If PA believes that **management is involved in non-compliance then alert/ discuss with those charged with governance**.
- PA shall **advise them** to take appropriate and timely actions, if they have not done yet.
- PA shall assess the **appropriateness of the response** of management/ those charged with governance to determine whether further action needed or not.
- Further action may include **disclosing the matter to appropriate authority**.
- PA might become aware of intended conduct which may constitute **imminent breach** of law or regulation, alert management/ those charged with governance.
- PA should **document response of management, course of action** and whether PA satisfied with the course of action taken by the management/ those charged with governance.

Companies Act– Directors Responsibility Statement

❖ Section 134 of the Companies Act, 2013:

- Directors responsibility statement as referred in Section 134(3)(c) should state that the *directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.*

Companies Act– Internal Financial Controls

❖ Section 143 of the Companies Act, 2013:

- Section 143(3)(f) requires the auditor report to state whether the company has adequate internal financial controls system in place and the operating effectiveness of such control.

Analysis of Financial Statements through FEMA lens



Balance Sheet Analysis

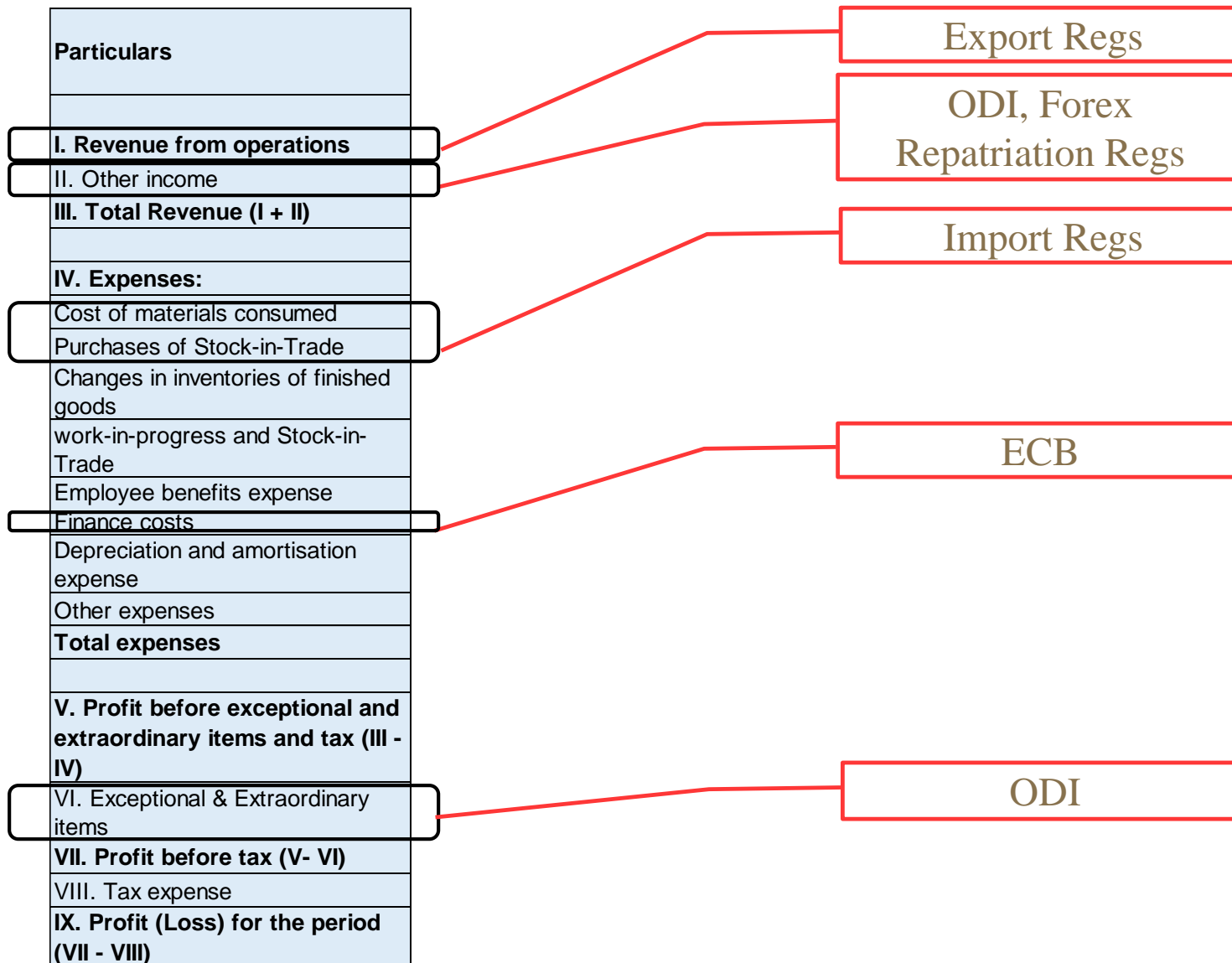
Particulars	
I. EQUITY AND LIABILITIES	
<i>(1) Shareholders' funds</i>	
(a) Share capital	FDI
(b) Reserves and surplus	ODI
(c) Money received against share warrants	FDI
<i>(2) Share application money pending allotment</i>	FDI
<i>(3) Non-current liabilities</i>	
(a) Long-term borrowings	ECB
(b) Deferred tax liabilities (Net)	
(c) Other Long term liabilities	ECB, Trade Credit, Import Regs
(d) Long-term provisions	
<i>(4) Current liabilities</i>	
(a) Short-term borrowings	ECB
(b) Trade Payables	Trade Credit, Manner of Payment Regs
(c) Other current liabilities	
(d) Short-term provisions	ECB, Trade Credit, Import Regs
TOTAL	

Balance Sheet Analysis

Particulars	
II. ASSETS	
<i>(1) Non-current assets</i>	
(a) Property, Plant and Equipment	ECB
(i) Tangible assets	ECB
(ii) Intangible assets	ODI
(iii) Capital work-in-progress	ODI
(iv) Intangible assets under development	
(b) Non-current investments	
(c) Deferred tax assets (net)	
(d) Long-term loans and advances	Export Regs, Manner of Receipt Regs
(e) Other non-current assets	
<i>(2) Current assets</i>	
(a) Current investments	Forex a/c Regs
(b) Inventories	
(c) Trade receivables	ODI
(d) Cash and cash equivalents	
(e) Short-term loans and advances	
(f) Other current assets	
TOTAL	

*Contingent Liability - Guarantee Regs

Profit and Loss Analysis



Case Study



Case Study – B/S & P&L

FEM PRIVATE LIMITED Balance Sheet as at 31st March 2020

Rs. in '000			
Particulars	Note No	As At March 31, 2020	As At March 31, 2019
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	8,00,000	8,00,000
(b) Reserves and Surplus	2	2,20,357	1,51,182
(2) Non Current Liabilities			
(a) Long Term Borrowings	3	2,00,000	-
(b) Other Non Current Liabilities		-	-
(3) Current Liabilities			
(a) Other current liabilities	4	1,52,950	1,58,375
(b) Long-term provisions		-	-
Total		11,73,307	11,09,557
II. Assets			
(1) Non-current assets			
(a) Fixed assets	5	3,60,141	3,60,141
(b) Long term loans and advances	6	22,770	2,83,481
(c) Other non-current assets	7	1,70,000	95,000
(2) Current assets			
(a) Current investments		-	-
(b) Cash and cash equivalents		2,37,684	1,13,415
(c) Other current assets	8	3,82,712	2,57,520
Total		11,73,307	11,09,557
Significant Accounting Policies and Notes to Accounts 1-12			
In terms of our Report attached			
For FEM Private Limited			
For ABC & CO.			
CHARTERED ACCOUNTANTS			
Firm Registration No. XXXXXXXX			
DIRECTOR		DIRECTOR	
Mr. ABC			
Partner			
M.No. XXXXXXX			
Place: Mumbai		Place: Mumbai	
Date : 28.08.2020		Date : 28.08.2020	

FEM PRIVATE LIMITED Statement of Profit & Loss Account for the Year Ended 31st March, 2020

Rs. in '000			
Particulars	Note No	As At March 31, 2020	As At March 31, 2019
I. Revenue from operations		5,74,999	5,94,000
II. Other Income	9	21,300	48,100
III. Total Revenue (I + II)		5,96,299	6,42,100
IV. Expenses:			
Purchase of Goods		2,65,000	1,57,000
Employee benefit expense		1,91,652	1,01,000
Administrative and other costs	10	69,496	64,725
Total Expenses		5,26,148	3,22,725
V. Profit before exceptional and extraordinary items and tax	(III - IV)	70,151	3,19,375
VI. Profit before extraordinary items and tax		70,151	3,19,375
VII. Profit before tax		70,151	3,19,375
VIII. Tax expense:			
(1) Current tax		976	98,687
IX. Profit(Loss) from the period from continuing operations	(VII-VIII)	69,175	2,20,688
X. Profit/(Loss) for the period		69,175	2,20,688
XI. Earning per equity share:			
(1) Basic		8.65	27.59
Significant Accounting Policies and Notes to Accounts 1-12			
In terms of our Report attached			
For FEM Private Limited			
For ABC & CO.			
CHARTERED ACCOUNTANTS			
Firm Registration No. XXXXXXXX			
DIRECTOR		DIRECTOR	
Mr. ABC			
Partner			
M.No. XXXXXXX			
Place: Mumbai		Place: Mumbai	
Date : 28.08.2020		Date : 28.08.2020	

Case Study – Notes to A/cs

FEM Private Limited
NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS
FOR THE YEAR ENDED 31.3.2020

	Rs. in '000
<u>CURRENT</u>	<u>PREVIOUS</u>
<u>YEAR</u>	<u>YEAR</u>
<u>31.03.2020</u>	<u>31.03.2019</u>

NOTE No. 1 Share Capital :-

AUTHORISED :

10000 Equity Shares of Rs.100/-each

10,00,000 10,00,000

ISSUED, SUBSCRIBED AND PAID UP :

8000 Equity Shares of Rs. 100/- each

8,00,000 8,00,000

Details of Shareholders having more than 5% shares in the company as on 31 st March 2020 as under :-

Sr. No.	Name of the Share Holder	Current Year		Previous Year	
		% of Share Holding	No of Shares	Holding	No of Shares
1	ABC Inc., USA	100%	8000	90%	7200
2	Mr. India	-	-	10%	800
		100%	8,000	100%	7200

NOTE NO. 2 RESERVES AND SURPLUS :-

a) Profit & Loss A/c

Opening Balance

1,51,182

Additions during the year

69,175

Closing Balance

2,20,357 1,51,182

NOTE NO. 3 Long Term Borrowings :-

ECB from Bank of America	2,00,000	-
	2,00,000	-

NOTE NO. 4 OTHER CURRENT LIABILITIES

M/s. ABC & Co.	2,950	2,875
Sundry Creditors		
Imort	61,000	52,500
Others	89,000	22,000
Accounting Charges	-	21,000
Directors Remuneration	-	60,000
	1,52,950	1,58,375

FEM Private Limited
NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS
FOR THE YEAR ENDED 31.3.2020

	Rs. in '000
<u>CURRENT</u>	<u>PREVIOUS</u>
<u>YEAR</u>	<u>YEAR</u>
<u>31.03.2020</u>	<u>31.03.2019</u>

NOTE NO. 5 Fixed Assets :-

Machineries

2,44,000

1,50,000

Furniture & Fixtures

1,16,141

75,680

3,60,141

2,25,680

NOTE NO. 6 LONG TERM LOANS & ADVANCES :-

Loan granted to XYZ DMCC

A)

-

3,30,539

TDS :

A.Y.2011-2012

13,456

A.Y.2014-2015

20,920

A.Y.2015-2016

12,000

A.Y.2016-2019

20,420

A.Y.2019-2020

20,920

A.Y.2020-2019

22,770

-

Less: Provision for Income Tax:

For Income Tax (A.Y.2011-2012)

(7,723)

For Income Tax (A.Y.2014-2015)

(10,831)

For Income Tax (A.Y.2015-2016)

(7,812)

For Income Tax (A.Y.2016-2019)

(9,721)

For Income Tax (A.Y.2019-2020)

(98,687)

For Income Tax (A.Y.2019-2020)

(47,058)

B)

22,770

(47,058)

22,770

2,83,481

NOTE NO. 7 Non-current Assets :-

Unquoted shares of XYZ DMCC (WOS)

1,70,000

35,000

Unquoted shares of FEM FZE (JV)

-

60,000

1,70,000

95,000

NOTE NO. 8 Other Current Assets:-

Sundry Debtors

Export

96,200

74,450

Others

18,512

39,870

Stock in Hand

2,12,000

1,43,200

GST Input Credit

56,000

-

3,82,712

2,57,520

Case Study – Notes to A/cs

FEM Private Limited
NOTES ANNEXED TO AND FORMING PART OF PROFIT & LOSS
ACCOUNT FOR THE FINANCIAL YEAR ENDED 31.03. 2020

Rs. in '000

YEAR ENDED
31.03.2020 YEAR ENDED
31.03.2019

NOTE NO. 9 OTHER INCOME :-

Import Creditors write-off	5,300	9,400
Dividend	11,500	9,500
Interest from XYZ DMCC	4,500	29,200
	21,300	48,100

NOTE NO. 10 ADMINISTRATIVE AND OTHER COSTS :-

Accounting Charges	15,000	21,000
Audit Fees	12,950	2,875
Bank Charges	113	150
Export Debtors write-off	20,000	6,500
DSC Charges	1,400	-
Sundry Expenses	12,332	14,600
Conveyance	7,701	19,600
	69,496	64,725

FEM Private Limited
NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS
FOR THE YEAR ENDED 31.03. 2020

Note No. 11 - Related Party Schedule for F.Y. 2019-20

Rs. in '000

Nature of Transaction	XYZ DMCC (WOS)	FEM FZE (JV)
Interest received during the year	4,500	-
Repayment of Loan Granted	3,30,539	-
Dividend received during the year	9,500	2,000
Outstanding balance for export of goods	35,000	-
Outstanding balance for import of goods	-	29,000

Note No. 12 - Income & Expenditure in Foreign Currency:

Rs. in '000

Nature of Transaction	F.Y. 2019-20	F.Y. 2018-19
<u>Income:</u>		
Receipt from export debtors	2,24,000	1,67,300
Dividend	11,500	9,500
Interest on Loan	4500	29,200
<u>Expenditure:</u>		
Payment to import creditors	1,50,000	95,000

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

NOTE No. 1 Share Capital :-

AUTHORISED :

10000 Equity Shares of Rs.100/-each

10,00,000 10,00,000

ISSUED, SUBSCRIBED AND PAID UP :

8000 Equity Shares of Rs. 100/- each

8,00,000 8,00,000

Details of Shareholders having more than 5% shares in the company as on 31 st March 2020 as under :-

Sr. No.	Name of the Share Holder	Current Year	No of Shares	Previous Year	
		% of Share Holding		Holding	No of Shares
1	ABC Inc., USA	100%	8000	90%	7200
2	Mr. India	-	-	10%	800
		100%	8,000	100%	7200

❑ FDI:

- Whether the FDI has been first received under the automatic or approval route? If approval route, whether government approval is in place?
- Whether shares had been allotted within prescribed time period?
- Whether reporting in Form ARF (applicable before 1st Sept 2018) and Form FC-GPR was made within the prescribed time period?

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

❑ FDI:

- If FEM Private Limited is operating in a sector where there is a FDI linked performance condition, whether the same has been complied with? E.g. – Sourcing norms in case of SBRT sector.
- Whether Form FC-TRS has been filed by Mr. India for transfer of 800 shares to ABC Inc. within 60 days of transfer or receipt/remittance of funds whichever is earlier?
- Whether FEM Private Limited taken on record certified Form FC-TRS after its filing?
- Whether Entity Master Form has been first filed on RBI SMF portal in the 2018?
- Whether Form FLA has been filed before 15th July or extended due date as the case maybe?
- If Form FLA filed based on provisional accounts, whether revised Form FLA based on audited accounts has been filed before September end?
- If there subsists any contravention of the FEMA provision(s), whether compounding application made by the company or LSF paid to regularize the contravention?

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

NOTE NO. 2 RESERVES AND SURPLUS :-

a)	<u>Profit & Loss A/c</u>		
	Opening Balance	1,51,182	
	Additions during the year	69,175	
	Closing Balance		<u><u>2,20,357</u></u> <u><u>1,51,182</u></u>

❑ ODI & FLA:

- Whether total financial commitment adheres to four times net-worth limit?
- Whether correct figure of reserves & surplus has been reported in Form FLA as well as Form APR?

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

NOTE NO. 3 Long Term Borrowings :-

ECB from Bank of America	2,00,000	-
	2,00,000	-

❑ ECB:

- Whether Form ECB has been filed in order to obtain LRN from RBI?
- Whether draw down of ECB amount happened only after obtaining LRN from RBI?
- Whether FEM Private Limited is complying with Minimum Average Maturity Period, All-in-Cost Ceiling, End-uses etc.?
- Whether monthly return in Form ECB -2 has been filed within the prescribed time period viz. 07th of next month?
- NIL Form ECB -2 needs to be filed if there is no draw down or repayment during the particular month.

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

NOTE NO. 4 OTHER CURRENT LIABILITIES

M/s. ABC & Co.	2,950	2,875
<u>Sundry Creditors</u>		
Import	61,000	52,500
Others	89,000	22,000
Accounting Charges	-	21,000
Directors Remuneration	-	60,000
	<u>1,52,950</u>	<u>1,58,375</u>

❑ Import of Goods & Services:

- Whether any o/s > 6 months (extended to 12 months due to Covid-19)? Check ageing.
- If o/s > 6/ 12 months as the case maybe, whether AD Bank approval obtained?
- Are import dues pending for > 3 years?

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

NOTE NO. 5 Fixed Assets :-

Machineries	2,44,000	1,50,000
Furniture & Fixtures	1,16,141	75,680
	<u>3,60,141</u>	<u>2,25,680</u>

❑ ECB:

- If ECB has been availed for import of assets, check whether the end use of ECB proceeds has been met?
- Whether the assets are correctly reflecting in FA register?

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

NOTE NO. 6 LONG TERM LOANS & ADVANCES :-

Loan granted to XYZ DMCC	A)	-	3,30,539
--------------------------	----	---	----------

❑ ODI:

- Whether Form ODI was filed at the time of grant of loan?
- Whether total financial commitment is < 400% of net worth?
- Whether loan has been granted only after making investment into share capital of XYZ DMCC?
- Whether Form APR has been filed every year before 31st December or the due date as prescribed?
- To keep tabs for reporting repayment of loan in Form APR by 31.12.20.

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

NOTE NO. 7 Non-current Assets :-

Unquoted shares of XYZ DMCC (WOS)	1,70,000	35,000
Unquoted shares of FEM FZE (JV)	-	60,000
	1,70,000	95,000

❑ ODI:

- Whether Form ODI filed when investment was made into share capital of XYZ DMCC as well as FEM FZE?
- Whether share certificate has been submitted to AD Bank within 6 months?
- Whether Form APR has been filed every year before 31st December or the due date as prescribed? Whether any dues receivable from the JV/ WOS repatriated within 60 days?
- Whether Form ODI – Part III filed in the current year for disinvestment? Other terms and condition such as valuation, Form APR, JV/ WOS 1 year in operation complied with?
- Whether sale proceeds were repatriated to India within 90 days?

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

NOTE NO. 8 Other Current Assets:-

Sundry Debtors

Export	96,200	74,450
Others	18,512	39,870
Stock in Hand	2,12,000	1,43,200
GST Input Credit	56,000	-
	3,82,712	2,57,520

❑ Export of Goods & Services:

- Whether any o/s > 9 months (extended to 15 months due to Covid-19)? Check ageing.
- If o/s > 9/ 15 months as the case maybe, whether AD Bank approval obtained?
- Whether export dues have been received without netting-off?

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

NOTE NO. 9 OTHER INCOME :-

Import Creditors write-off	5,300	9,400
Dividend	11,500	9,500
Interest from XYZ DMCC	4,500	29,200
	21,300	48,100

❑ ODI, Import of Goods and Services:

- Whether dividend/ interest from JV/ WOS has repatriated to India within 60 days of accrual?
- Whether write-off of import creditors o/s is self write off or approval obtained from AD Bank/ RBI? Check documents.
- Whether limits prescribed for write off adhered or not?

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

NOTE NO. 10 ADMINISTRATIVE AND OTHER COSTS :-

Accounting Charges	15,000	21,000
Audit Fees	12,950	2,875
Bank Charges	113	150
Export Debtors write-off	20,000	6,500
DSC Charges	1,400	-
Sundry Expenses	12,332	14,600
Conveyance	7,701	19,600
	69,496	64,725

❑ Export of Goods & Services:

- Whether write off of export debtors o/s is self write off or approval obtained from AD Bank/ RBI? Check documents.
- Whether limits prescribed for write off adhered or not?

Case Study

❖ Queries needs to be raised by Mr. ABC after going through the financials of FEM Private Limited:

Note No. 11 - Related Party Schedule for F.Y. 2019-20

Nature of Transaction	Rs. in '000	
	XYZ DMCC (WOS)	FEM FZE (JV)
Interest received during the year	4,500	-
Repayment of Loan Granted	3,30,539	-
Dividend received during the year	9,500	2,000
Outstanding balance for export of goods	35,000	-
Outstanding balance for import of goods	-	29,000

Note No. 12 - Income & Expenditure in Foreign Currency:

Nature of Transaction	Rs. in '000	
	F.Y. 2019-20	F.Y. 2018-19
<u>Income:</u>		
Receipt from export debtors	2,24,000	1,67,300
Dividend	11,500	9,500
Interest on Loan	4500	29,200
<u>Expenditure:</u>		
Payment to import creditors	1,50,000	95,000

❑ ODI, FLA cross-check:

- Whether dues receivable from JV/ WOS repatriated to India within prescribed time period?
- Whether earnings & expenditure in foreign currency correctly reported in Form FLA?
- Whether export receipts have been received in full and import dues have been paid in full without netting off?

Sincere acknowledgement:

Pankaj Bhuta, Naisar Shah

Thank you



Contact Information



P. R. BHUTA & Co.
CHARTERED ACCOUNTANTS

Address 2-I, Jeevan Sahakar, 2nd Floor, Sir P. M. Road, Fort, Mumbai – 400001, India.

Telephone +91 22 22660010/3427; 43471727

Mobile +91 9930114418;

E-mail harshal.bhuta@bhutaco.com

Website www.bhutaco.com

LinkedIn <https://in.linkedin.com/in/harshalbhuta>