M/s. REKHA CONSTRUCTION COMPANY

SCHEDULE – M: NOTES ON ACCOUNTS:

I. SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements have been prepared on the historical cost convention and in accordance with normally accepted accounting principles by following mercantile system of accounting.

Revenue Recognition:

Revenue is recognized and expenditure is accounted for on their accrual. The firm is engaged in the business of developing and building of residential projects and renting of business centers. The company has adopted Project completion method for recognition of revenue in respect of business of developing and building of residential building and Farm House project. All the construction expenses, administrative expenses and financial charges pertaining to the project are debited to Work in progress Account.

On completion of project, the same will be charged to profit & loss account as cost of the project against the sale value of the flats developed in the project.

For rental income, revenue is recognized and expenditure is accounted for on their accrual.

Fixed Assets

Fixed Assets are carried at cost less depreciation.

Depreciation

Depreciation has been provided at the rate prescribed under Income Tax Rules, 1962.

Impairment of assets

The carrying values of assets/ cash generating units at each balance sheet date are reviewed for impairment of assets by partners. If any indication of such impairment exists, the recoverable amount of those assets is estimated and impairment is recognised, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting future cash flows to their present value based on appropriate discount factor. When there is indication that an impairment loss for an asset in prior accounting periods no longer exists or may have decreased such reversal of impairment loss is recognised.

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Contingent Liabilities

Contingent liabilities not provided for in the accounts, are disclosed by way of note in Notes to Accounts.

Retirement Benefits :

Retirement benefits of employees are booked in the year in which the benefits are paid to the employees.

II. NOTES ON ACCOUNTS

1. The Vrajbhoomi Project and Vrindavan Project is under progress and hence all the construction expenses, administrative expenses and financial charges pertaining to the said project are debited to respect project Work in progress Account.
2. The firm claims to have no Contingent liability and hence, not provided for.
3. Since the deferred tax for timing difference between the book profit and the taxable income is nil, no provision is made for the deferred tax during the year under consideration as per the provisions of AS – 22 on "Accounting for taxes on Income".
4. Balance of Deposits, Sundry Creditors, Sundry Debtors, Loans and Advances payable or receivable are subject to confirmation to be obtained from these parties however the partners have certified their respective balances.
5. No Provision has been made for accruing liability towards retirement benefits to employees. Retirement benefits payable, if any, will be accounted as and when payments are made.
6. As per the information and explanation given to us by the partners of the firm, the realizable value of the fixed assets as on the date of balance sheet worked out on the basis of discounted cash flow method to be earned from the use of individual cash generating unit is equivalent to the written down value as on the date of the balance sheet and hence provision for impairment loss is not warranted for in the books of accounts.
7. According to the information and explanation given by the partners of the firm, the firm is not in a position to identify the amount of balances due to Micro, Small and Medium Enterprises in absence of sufficient information from suppliers regarding their status, as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006.
8. The expenses of which no supporting documents were available have been provided on the basis of the authorization of the vouchers by the partners of the firm.

9. These financial statements are the responsibility of the partners. The auditor's responsibility is to express an opinion on these financial statements based on their audit. Auditor has conducted their audit in accordance with auditing standards generally accepted in India. Those Standards require that auditor plan and perform their audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

   An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Auditor believes that their audit provides a reasonable basis for their opinion.

Signature to schedules annexed to and forming part of the accounts.

For SNK & Co.
Chartered Accountants
Firm Reg. No.: 109176W

Mihir D. Gandhi
Partner.
Membership No. 125394

Place : Surat.
Date : 22nd September, 2016

For M/s. Rekha Construction Company

Dharmesh Patel
Partner.