

## INTERIM FINANCIAL REPORTING: AN INTERIM RELIEF TO INVESTOR

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### ABSTRACT

*While an investor makes a decision to invest his savings which has been earned by him with lots of efforts and saved by him by curtailing his needs which sometime includes even necessities, then a very obvious question hit in his mind that where to invest, so that in addition to earning good returns the money would also be in safe hands and he will not going to lose anything i.e. neither the invested amount nor the expected return on it. Among the number of investment options available to any person, investment in securities of any company such as Shares, Bonds or debentures is found to be most attractive option. Even among the carries nature of securities of any company, perhaps shares are the most attractive investment which attracts in its trap to all most all kinds of the investors due to its liquidity and shinning returns in a short span of time. However the decision regarding in which company an investor shall invest is quite difficult and need lots of information which is not only complete but also reliable. The companies under the requirements of companies act, 2013 and Securities Exchange Board of India also known as SEBI, issues their yearly financial statements containing in detail the all information of the company for the whole financial year, but the same is not useful when investment is to be made during the year. The reason being in today's ever changing environment, the financial position of company also get changes and hence the latest updation is very much important so the crucial decision regarding investment can be taken correctly. This article is positioning out the importance of interim financial information, in special context of investment decision.*

**KEYWORDS:** *Investments, Interim Financial position, Strategies, Economic Position, Liquidity, Returns.*

### Introduction

What attracts you? The question is little shying, but it is asked in the context of investment decision. And fortunately the answer is very obvious. It is return on investment, its liquidity and capital appreciation in the investment. These all are the common perception of an investor while making the investment. And probably this is the biggest mistake we do in making investment especially when investment is in shares of any company. These all factors probably becomes useless while doing the investment, because investor do not become an investor rather he becomes owner of the company by purchasing the shares of it. Hence it is very important to know not only the current position of the company but also to know the historical position along with the trend of the same. Those days have gone where the position of company was evaluated at the end of the year through its financial position assuming that no substantial change will occur in its position during the year. Now situation changes with fast pace. If we look into reliance JIO, when whole of the world was under Lockdown, the reliance JIO has attracted investment into it with glass breaking deal with face book followed by six other large investors, making its share price high as 2000 INR from 900 INR in just small span of three months. That's the power of today's changing world. Hence an investor need to be updated with the all financial and strategically information of the company so that he can take a smart decision. For this the financial statement presented by the company at the end of each year will not be sufficient. Regular update on its financial position is very much important. Interim financial statement is that source from which company discloses to its entire stake holder about its interim matters on interim basis.

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### **What is Financial Reporting and Interim Financial Reporting?**

Financial Reporting is mirror of business. It states all about the business. it's done through financial statements. General purpose of economic statements includes record, statement of profit and loss, income statement and statements and explanatory notes which form part thereof, issued for the employment of varied stake holders, Government and also their agencies and the public. Responsibility for the preparation of monetary statements and for adequate disclosure is that of the management of enterprise. In other words, interim financial reporting is financial reporting for a period shorter than a complete year. It means a statement containing either an entire set of monetary statements or a collection of condensed financial statements for an interim period. The interim financial report containing condensed financial plans in intended to produce an update on the newest annual financial statement it light on new events, activities and circumstances. Timely and reliable reporting is incredibly useful for investors, **creditor's** government et al. to know an enterprise's capability to get earnings and cash flows, and to understand about its condition and liquidity. It's been proved that within the current period of world recession satisfaction of investors is must. They require continuous information about their investment. Watching for final results is incredibly anxious to them. So companies should make proper and timely interim financial reporting to enhance the power of investors, to satisfy the lenders and to make sure security against fluctuations.

The Institute of Chartered Accountants of India has issued Accounting Standard for 'Interim Financial Reporting' which has been set out as a benchmark for interim financial reporting. It comes into effect in respect of accounting periods commencing on or after 01-04-2002. It's Applicable to any or all enterprises required or electing to organize and present an interim financial report. The most and prime objective perhaps is to prescribe the minimum or at least content of an interim financial report and to prescribe the principles for recognition and measurement during complete or condensed finances for an interim period. The scope is stated in As-25 that if any enterprise is required or elects to arrange and present an interim financial report, it should befits this standard. Apart from that Institute of Chartered Accountants has also issues Standards on Auditing, numbered 2410 for the purpose of conducting review of Such Interim Financial Statements. Here it is interesting to know that what we call an Interim period for the purpose of Interim Financial Statements. Interim Financial Period means a period which is less than the period of which financial year and interim financial report means a report containing either a whole set of monetary statements or a group of condensed financial statements (as described during this standard) for an interim period. Minimum Components of an interim Financial Report are condensed record, condensed statement of profit and loss, condensed income statement and selected explanatory notes. However presentation of an entire set of monetary statements or over the minimum line items or selected explanatory notes isn't prohibited or discouraged.

### **Form and Content of Interim Financial Reporting**

In case of complete set of economic or interim financial statements are prepared and presented within an interim financial report, the shape and content of these statements should conform to the requirements of the applicable to annual complete set of economic statements. However where a group of condensed financial statements are prepared and presented within the interim financial report. These condensed financial interim statements should include, at least, each of the headings and subheadings that were included in its most up-to-date annual financial statements and also the selected explanatory notes presented by those financial statements. However additional line items or notes should also be included if their exclusion would make the condensed interim finances misleading. If an enterprise presents basic and diluted earnings per share in its annual financial statements in accordance with accounting principle (AS) 20-Earning Per Share, basic and diluted earnings per share must be disclosed as per Accounting Standard 20, even on the face of the Financial statement which is Profit and Loss account prepared for concerned interim period. If annual financial Report of any enterprise includes the consolidated financial statements, in addition to the financial statements of its parent company, then the interim report on financial statements shall also include the report on both and not only on any one of them. The minimum information should be including the notes, within the notes, if not disclosed elsewhere within the interim financial report. It may include as explanatory notes a press release that the identical accounting policies are followed within the interim financial statements as those

followed within the most up-to-date annual financial statements or, if they need been changed an outline of the character and effect of the change, Explanatory comments about the seasonality of interim operations, the character and amount of things which affecting assets, liabilities, sometimes equity and net income too, or cash flows that are unusual due to their nature, size or incidence, the character and amount or changes in estimates or amounts reported in prior interim periods of the present fiscal year or in prior financial years, if those changes have a fabric effect within the current interim period. Apart from this matters relating to issue, or buyback of shares or debentures, repayment of debts instruments, various other securities including convertible shares, Dividends and other returns on all kind of shares separately. Segment details shall also be given. It will include details of segment revenue, its capital invested, and results of that segment for both the primary segment which is Business segment as well as geographical segment. The same shall be made as per accounting standard 17 as issued by institute of chartered accountants of India. The impact of such changes which is within the composition of the entity, during the interim period for example occurrence of any amalgamation or acquisition or subdivision or any kind of disposal of any branch or subsidiary including any restructuring or discontinuing operations and Material changes in contingent liabilities since the last annual record date.

Here it shall be noted down that interim financial information is not prepared or shall be available only for a particular year, rather it shall be made available for all the years. The same is not applicable in case of any kind of material events or transactions which is necessary to for having an understanding of this interim period may be disclosed on any period other than interim period. The another important aspect which people like to know that for which period we shall prepare interim financial period. That is what should be the ideal period of interim financial statement. Shall it be a month or a quarter or other period. It may be for period considering the various factors such as Balance sheet at end of current interim period and at end of immediately preceding financial year, and Statement of Profit and Loss for current interim period, Cumulatively for current financial year to date comparative figures both current and year to date of immediately preceding financial year. Cash Flow Statement: Cumulatively for the current financial year-to-date comparable figures for year-to-date period of immediately. Enterprises engaged in highly seasonal businesses are encouraged to report financial information for twelve months ending on the interim reporting date (along with comparable previous year figures), in addition to the above. However it is up to the entity to decide what optimum period it wants for the same.

### **Conclusion**

The preparation of financial statement is the responsibility of the management or board of directors of the company. They no doubt fulfill it with the best interest of all stakeholders and considering the aspect of stakeholder wealth management along with the management of wealth of the company. However complying with the same on yearly basis was found insufficient. Hence various legislature including the companies act and Securities Exchange Board of India Act, 1992 has made it compulsory for few class of companies to also make financial statement on interim basis too. This has impacted the stakeholder's level of knowledge with increased disclosure in the financial statements on interim basis. Now stakeholders can understand what is going on in the company on interim basis and can make smart and valuable decision regarding their investment. It is at all not doing any kind of insider trading. However till date only institute of chartered accountants of India has come out with the guidelines for preparation of interim financial statements through accounting standard 25. The Government as well as Securities Exchange Board of India shall introduced some standard guidelines for preparation of Interim Financial Statements to make it uniform for all the companies specially listed one where public at large has stack at the vast level. In last few years it is the increased interest of stakeholder towards investment in Shares demands it more that detailed disclosures shall be made available to the market with greater transparency and clarity. The norms for listing has been made more strict by Securities Exchange Board of India in recent year with the aim to put a ban on those companies who engaged themselves in fraudulent activities and pretend to stakeholder as good governance companies like Satyam.

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