SEEDS

EMPOWERING DREAMS

ACCOUNTING POLICY

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SEEDS FINCAP PRIVATE LIMITED
OFFICIAL SEAL
DELHI

Document review and approval

Revision history

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Contents

1. Introduction

The policy aims at laying down guidelines and procedures involved in accounting operations. It provides a framework for the functioning of the accounts department and involves the process of recording, classifying and summarizing economic events, leading to the preparation of financial statements.

2. Applicability & Validity of the Policy

The policy will become applicable from such date as approved by the Board of Directors. The policy needs to be updated periodically at least on annual basis. Any change in policy by way of additions and amendments due to changes in laws, regulations, accounting standards shall be implemented immediately with a report to Board of Directors subsequently.

3. Governance Framework

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the accounting principal generally accepted in India including Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

4. Accounting Framework

- The accounts shall be prepared on the accrual basis under the historical cost convention in accordance with the provisions of the companies Act, 2013 and with the Accounting Standard issued by the Institute of Chartered Accountants of India.

- Fixed Assets shall be stated at their historical cost including freight, taxes, other incidental expenses related to acquisition/ installation.

- Intangible assets are to be amortized on a straight line basis over the estimated useful economic life.

- The Depreciation shall be charged on the basis of written down value method as rates specified in schedule – II of the Companies Act, 2013 or at the higher rate in case estimated life of an assets is lower than mentioned in Schedule-II of Companies Act, 2013.

- Current/ Non-current classification of assets/ liabilities: As required by revised schedule III, the company shall classify assets and liabilities into current and non-current based on the operating cycle.
- Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any changes in estimates are to be recognized prospectively.

- Revenue Recognition
  - Interest income on loans shall be accounted for by applying the Internal Rate of Return (IRR), implicit in the agreement, on the diminishing balance of the financed amount, over the period of agreement so as to provide a constant periodic rate of return on the amount outstanding on the contracts.
  - Loan instalments received shall be apportioned between interest income and principal portion. The principal amount should be reduced from the loan outstanding, so as to achieve the constant rate of interest on the remaining balance.
  - Processing fees and other servicing fees shall be recognized as income on accrual basis.

- Borrowing cost: Borrowing costs consist of interest and other ancillary cost that an entity incurs in connection with borrowing of funds. Ancillary cost incurred in connection with arrangement of borrowings are to be expensed, however, syndication/ Advisory fee paid to raise a debt may be amortized over the tenor of the debt.

- Taxation - Provision for taxation is the provision made out of current profits to meet the tax obligation and shall be calculated on a quarterly basis. Computation is done on the basis of financials, TDS and advance tax.

- Employee Benefits: The Company has various scheme of retirement benefits, namely provident fund, gratuity and leave encashment.
  - Short term employee benefits: All employee benefits payable/ available within 12 months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages and bonus etc., shall be recognized in the statement of profit and loss in the period in which the employee renders their related service.
  - Other long term employee benefits: Entitlements to annual leave are recognized when they accrue to employees. Leave entitlements can be availed while in service of employment subject to restriction on the maximum number of accumulation. The company shall determine the liability for such accumulated leave entitlements on the basis of actuarial valuation carried out by an independent actuary at the year end.
    Comment, Smita: What happens when an employee leaves the job? Leave accumulated, which would have been encashable if the employee continued in the job, should be allowed to be encashed.

  - Defined Contribution Plan: Contributions towards provident fund shall be considered as defined contribution plan and the contributions shall be charged to the statement of profit and loss for the year when the expenses is actually incurred.
  - Comment, Smita:Why is this not part of accrual system, why should it have a different treatment from all other accrued expenses?

- Defined benefit plans: The Company's gratuity scheme is a defined benefit plan. The company shall pay gratuity to employees who retire or resign after a minimum period of five years/ or a period as may be defined under the Indian Gratuity Act 1972, of continuous service.
- Incentives & Bonus: Incentive on Loan disbursement shall be amortized over the tenor of the Loan. Any incentive paid for the purpose of collection shall be expensed out during the period for which it has been paid. Performance bonus, if any, paid to be expensed out during the relevant performance period.

- Earnings per Share: For calculating the basic earnings per share, the number of equity shares shall be taken as weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period reflects the fact that the amount of shareholders capital may have varied during the period as a result of a larger or lesser number of shares outstanding at any time. It is the number of equity shares outstanding at the beginning of the period, adjusted by number of equity shares bought back or issued during the period multiplied by the time-weighting factor. The time-weighting factor is the number of days for which the specific shares are outstanding as a proportion of the total number of days in the period.

- Investments: Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Classification, accounting of investment (purchase/sale) and investment income will be as per the accounting policy of the company and applicable RBI guidelines. Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India (referred to in these Directions as "ICAI") shall be followed in so far as they are not inconsistent with any of these Directions. The investments shall be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower. The quoted current investments are valued at cost or market value whichever is lower and the unquoted current investments are valued at cost or breakup value whichever is lower.

5. Bank Reconciliation Statement

In order to reconcile the balance shown by cash book and bank statement on a particular date a statement is prepared; known as Bank Reconciliation Statement (BRS); which contains a complete and satisfactory explanation of the differences in the balance of the cash book and bank statement.

For Head office bank accounts, BRS shall be prepared on a Monthly basis for the dedicated bank accounts by the Assistant Manager/Accounts Executive for Head office bank accounts and checked by Head- Finance & Accounts.

6. Preparation of Financial Statements

Finance and Accounts team is responsible for preparing financial statements of the company for the purpose of use in the preparation of various RBI returns, for submission to the Income Tax department, Bankers, Exchanges and other applicable regulatory authorities as and when required. These shall be prepared on monthly basis by Manager/ Sr. Manager/ AVP- Finance and Accounts and are reviewed by Director/CFO/Head Finance & Accounts. Post approval, financial statements shall be submitted to auditors for their review and their comments, if any, shall be addressed and amendments shall be made in the financial statements.

The books shall be closed on monthly basis post recording of all transactions occurred during the period covered in the books of accounts such as accounting for depreciation, provision for expenses, prepaid expenses, income tax provision, deferred tax asset or deferred tax liability, etc. The monthly end closure activities includes:

- Income Accruals
- Provisions
- Accounting for expense accruals
- Depreciation
- Freezing of Trial Balance
- Reconciliations (Bank, Portfolio, Borrowing and Other Ledgers)
- Amortization of expenses
- Fixed Asset reconciliation

7. Cash Management

Proper cash management means ensuring the right amount of cash at the right place at the right time. It is important to maintain adequate liquidity in the Branches (including cash in hand and Bank). Cash management calls for proper funds planning which is a function of careful business planning and forecasting.

7.1 Cash at Branches

The scope for cash management will be very limited at the branch. The amount of cash required to meet the petty expenses will be determined by HO based on the size of the branch. The Branch Manager shall maintain cash balance to pay for petty expenses.

7.2 Cash at Head Office

For payment of petty expenses, Head office shall have sufficient cash balance all time. Access to Vault, if any, shall be with two persons MD and Head Finance & Accounts.

7.3 Cash in Transit

Cash in transit means the cash that is being deposited/ withdrawn between Branch Office and Bank or between Branch Office and Head Office or Organized Center of Client to Branch Office. Cash in transit being moved in the open, is very prone to risk of theft, loss etc. Therefore it is of the utmost importance that all the procedures specified must be strictly followed.
Cash movement register to be put in place, signature of person carrying the cash to be taken and should be validated by the Branch Manager.

7.4 Cash in Safe

Cash that is kept in the office must be handled properly to ensure that the cash is not prone to theft or other loss. Cash should be kept under dual key concept i.e. the keys of cash vault should not be kept under the custody of one person.

8. MIS Reporting

The purpose of an MIS report is to monitor the performance of each business unit and the organization as a whole.

Following MIS shall be prepared -

Frequency	Type of report	Responsibility	Audience
Daily Reports	1. Liquid Balance Report – The purpose to understand the daily liquidity. It contains details of Fixed Deposits, bank account balance etc.	Assistant Manager Accounts	Managing Director/ Other Director/ Head Finance & Accounts
	2. Payment Report – The purpose is to inform MD about payment initiated.	Assistant Manager Accounts	MD & CEO
	3. Collection reconciliation report – The report contains collection summary of collection mode, collection due vs collection received	Assistant Manager Accounts	Operations and IT Head
Monthly Reports	1. Financial Statements 2. Assets Liability Management MIS 3. Capital Adequacy Ratio MIS 4. Accrual Reports	AVP Accounts	Director and Head Accounts and Finance

9. Glossary

Abbreviation	Description
BM	Branch Manager
BRS	Bank Reconciliation Statement
CFO	Chief Financial Officer
HO	Head Office
ICAI	Institute of Chartered Accountants Of India
MD	Managing Director
MIS	Management Information System
NEFT	National Electronic Fund Transfer
RBI	Reserve Bank of India

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