

## Implication of Accounting Standards With Special Reference to SMC Global Securities Ltd., New Delhi



## Management

KEYWORDS :

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### ABSTRACT

*This paper helps to understand how the Indian accounting standards are different from the international standards and how to analyse the company's financial position which would help the company to expand their business. How the company financial position would be analysed, this paper would help out, as for the analysis Altman Z Score would be considered, Benish M Score and ratio analysis with their competitors. Accounting standards would be the same for every company but their implication will get changed which affects the company's profitable position and the tax they paid. That implication of these standards makes this study understand how it gets vary for every company*

### INTRODUCTION

#### ACCOUNTING STANDARDS

An accounting standard is a principle that guides and standardizes accounting practices. The Generally Accepted Accounting Principles (GAAP) are a group of accounting standards that are widely accepted as appropriate to the field of accounting. Accounting standards are necessary so that financial statements are meaningful across a wide variety of businesses; otherwise, the accounting rules of different companies would make comparative analysis almost impossible.

#### IFRS

International Financial Reporting Standards (IFRS) is a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board (IASB).

The goal of IFRS is to provide a global framework for how public companies prepare and disclose their financial statements. IFRS provides general guidance for the preparation of financial statements, rather than setting rules for industry-specific reporting.

Having an international standard is especially important for large companies that have subsidiaries in different countries. Adopting a single set of world-wide standards will simplify accounting procedures by allowing a company to use one reporting language throughout. A single standard will also provide investors and auditors with a cohesive view of finances.

This paper helps out to understand the IMPLICATION OF ACCOUNTING STANDARDS and how these standards can make changes in the profitability of the business. Through this paper understands how lease would be worked, how the dividend declaration would be important, how the expenses would differ from one standard to another and how to pay less taxes.

SMC Global Securities Ltd., is a growing company who expanded their business in international market also and charge the brokerage differently from their competitors and having the policies with their clients and dealing with their queries is also different. Through this paper help to learn something about the brokerage industry which would help out in stock market as well as my financial career. Through this paper, understand the stock market and most importantly how it can maintain our financial data. While learning the financial standards application, also learnt about in the brokerage economic factors vary much to understand these factors company spends lot of money on research and development. SMC Global Securities Ltd., having

many branches as it deals with the Real Estate, Mutual Funds, IPO etc. while preparing the consolidation financial statement which financial data would be taken and which would not be considered these standards make it possible to understand properly.

### FINANCIAL PERFORMANCE HIGHLIGHTS

**Table 1 : Financial Performance Highlights (2013-2014 and 2014-2015)**

PARTICULARS	FY 2014 2015	% to Total Income	FY 2013 2014	% to Total Income	In- crease/ (De- crease) %
<b>REVENUE</b>					
Revenue From Operations	36939.88	98.45%		97.28%	26.20%
Other Income	580.88	1.55%	818.10	2.72%	(29%)
<b>TOTAL REVENUE</b>	<b>37520.76</b>				<b>24.70%</b>
<b>EXPENDITURE</b>					
Stock Exchange & Other Trading Expenses	11693.52	31.17%		33.56%	15.79%
Employee benefits expenses	9363.64	24.96%	8,449.53	28.08%	10.82%
Finance Cost	1296.39	3.46%	1,243.37	4.13%	4.26%
Depreciation	1092.10	2.91%	711.73	2.37%	53.44%
Other Expenses	7813.03	20.82%	6,448.38	21.43%	21.16%
<b>TOTAL EXPENDITURE</b>	<b>31258.68</b>	<b>83.31%</b>		<b>89.58%</b>	<b>15.98%</b>
Net Profit/(Loss) for The Year	6262.08	16.69%	3,136.36	10.42%	99.66%
Less: Tax expense	2047.78	5.45%	876.07	2.91%	
<b>PROFIT AFTER TAX (PAT) BEFORE ADJUSTMENT FOR MINORITY INTEREST</b>	<b>4215.30</b>	<b>11.23%</b>	<b>2,260.29</b>	<b>7.51%</b>	<b>86.49%</b>
Earnings per Share (Basic) In INR	3.71		1.99		

Source – Company annual report

In the Table no. 1 shows the financial performance during 2014-2015 period the company earned PAT( Profit After Tax) level is 4215.30 i.e a percentage of growth in year on year is 11.23%.

**COMPANY PERFORMANCE**

**Table 2 : Company Performance (2013-2014 and 2014-2015)**

PARTICULARS	FINANCIAL YEAR 2013-2014	FINANCIAL YEAR 2014-2015	% CHANGE
TOTAL REVENUE	1,812,039,306	2,415,066,017	33.28%
PROFIT BEFORE TAX	154,110,914	328,244,629	112.99%
PROFIT AFTER TAX	125,684,869	215,343,773	71.28%
TOTAL REMUNERATION PAID	335,432,045	369,801,635	10.25%

Source- Company Annual Report

In this Table no. 2 shows the company performance growth that the percentage on revenue is grow in year on year is 33.28 % ,Profit After Tax is grow in year on year is 71.28 %, Profit Before Tax is grow in year on year is 112.99 % and the Remuneration paid is grow in year on year is 10.25% . All this area indicate how the company is growing and the financial position of the company before tax and after tax. Through this performance it can be indicate the company would work on its growing and expand their business in different areas.

**SHARE HOLDING PATTERN**

Table 3: Shareholding Pattern AS on 31.3.2015

Category	No. of Shares	Equity (in %)
Promoters & Promoters Group	66,323,340	58.62
NRI and Foreign Body Corporate	24,217,625	21.40
Corporate Bodies (other than Promoters)	17,239,680	15.23
Indian Public and Others	5,353,805	04.75

Source- Company Annual Report

**Graph 1: Shareholding Pattern**

The share holding pattern of the company is to breakup as a percentage of total equity into two groups (Promoter & Non Promoter group).

**PROMOTER GROUP**

A promoter group is a group which have substantial control over the company or a group who undertakes all necessary steps in the floatation of the company. In SMC GLOBAL SECURITIES LIMITED. All the major shareholders of the company (whole time director, independent & non-executive director) come under promoters group as 58.62% which controls the major holding of the equity shares.

**NON PERMOTER GROUP**

This is the group which does not have the share of the directors of the company. In this 41.38% equity share include NRI and Foreign Body Corporate, Corporate Bodies, Indian Public and Others which make investment in our company and issue some shares to them as they become the shareholders of the company.

These can take a part in the decision of the company but the major decision would be taken by promoter group.

All the financial statement will be present to these directors on quarterly basis.as they take decision for the investments and discuss about the changes in any policy of the company and also plays major role in the company but the company does not give major shareholder part to the public as the control of the company would be gone.

The group who controls more than 50% equity shares have a right to take the decision and have control of the company. In this company promoter group have a major shareholding

**OBJECTIVE OF STUDY**

To understand the standards and the company’s financial position, and how IFRS works in Indian company.

It helps to learn that how different standards would work in different situation like revenue recognition, lease etc.

- To do the hypothesis testing on the standards , how it will change the posting in the financial statement and effects financial data.
- To understand the difference between Indian Accounting Standards and International Standards.
- To make a suggestion, to and application of internal standard.

**LIMITATION OF STUDY**

Only those standard consider used in those company

Those toolswchich have been used as a part of this study, can be consider for this company.

Actual position of this company cannot be considered based on this project as tools which are used which are very limited.

**BUSINESS LIFE CYCLE**

**Figure 1: Business Life Cycle**



The business life cycle is a model that enables businessmen to identify the performance of business , at which level their business is operating and to determine exactly what needs to be done to move to the next level and expand their business accordingly.

The various levels of a business life cycle are:

**Startup**

SMC was in start up phase in the year 1990 Mr. S C Aggarwal and Mr. Mahesh C Gupta took the membership of DSE.

There was less staff with modest pay in the company, which provided personalized services.

The primary emphasis was on generating and selling brokerage services.

Starting with the SMC Global Securities Limited with charging very less brokerage fee Rs25 per trade or 2.5% of the trade value whichever is low

#### Rapid Growth Stage

SMC growth will be increased by year on year as it start dealing with the Commodity, Mutual Funds, IPOs, Arbitrage, Insurance services, Investment Banking and Wealth Management Services.

As the company made a huge customer base, with wide number of branches in different states. It sales and demand increased and made its presence greatly visible in the brokerage industry , financial and other markets.

#### Maturity stage

In the maturity stage only SMC Global Securities Limited reached at the peak level where the company earns largest profit among others and in the brokerage industry it comes under top 15 and as it spends on new technology so that they provide better services to the customer. It gives tough competition to their competitors.

#### Rebirth/Decline Stage

SMC have a great opportunity to expand and develop in the market with its current potentials and probably will never reach this stage unless it gives up to its competitors in the maturity stage.

#### IMPLEMENTING OF IFRS

While Analyzing how the Indian Accounting Standards will be different from IFRS.

Study the competitors data to compare with the SMC GLOBAL SECURITIES LTD. so that the actual financial position of the company will get to know.

#### NEED OR IMPORTANCE OF STUDY

**In the world needs** financial data to analyze the position of the country or the company position. Country need economic data and company need financial data to analyze the position in the country.

In the company accounting standards is the necessity to make the financial statement. To understand these statements need to be known all accounting standards so that it help to compare data with the International standards and also learnt that how the small items like depreciation,dividend,expenses,lease etc will effect differently in the financial statement according to the standards.

#### TOOLS USED FOR THIS ANALYSIS

##### Altman Z Score

The Altman Z-score is the output of a credit-strength test that gauges a publicly traded company's likelihood of bankruptcy. The Altman Z-score, is based on five financial ratios that can be calculated from data found on a company's annual report. The Altman Z-score is calculated as follows:

$$\mathbf{Z\text{-}Score = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E}$$

Where:

A = Working Capital/Total Assets

B = Retained Earnings/Total Assets

C = Earnings Before Interest & Tax/Total Assets

D = Market Value of Equity/Total Liabilities

E = Sales/Total Assets

A score below 1.8 means the company is probably headed for bankruptcy, while companies with scores above 3.0 are not likely to go bankrupt. The lower/higher the score, the lower/higher the likelihood of bankruptcy.

#### Benish M Score

The Beneish model is a mathematical model that uses financial ratios and eight variables to identify whether a company has manipulated its earnings. The variables are constructed from the data in the company's financial statements and, once calculated, create an M-Score to describe the degree to which the earnings have been manipulated.

The eight variables are:

1. DSRI - Days' sales in receivable index
2. GMI - Gross margin index
3. AQI - Asset quality index
4. SGI - Sales growth index
5. DEPI - Depreciation index
6. SGAI - Sales and general and administrative expenses index
7. LVGI - Leverage index
8. TATA - Total accruals to total assets

Once calculated, the eight variables are combined together to achieve an M-Score for the company. An M-Score of less than -2.22 suggests that the company will not be a manipulator. An M-Score of greater than -2.22 signals that the company is likely to be a manipulator.

#### Ratio Analysis

Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. The trend of these ratios over time is studied to check whether they are improving or deteriorating.

#### Comparative Analysis

With the help of ratio analysis it can compared across different companies in the same sector to see how they stack up, and to get an idea of comparative valuations.

#### RESEARCH METHODOLOGY

##### DESCRIPTIVE ANALYSIS

Descriptive Analysis are a set of brief descriptive coefficients that summarize a given data set, which can either be a representation of the entire population or a sample. In this project descriptive analysis would help to compare the financial data of the company with its competitors to know the financial position of the company.

##### SAMPLING

For doing the comparative analysis of the company consider only 4 companies out of 10 . 10 is the sample size, so that in the analysis company will check their financial position properly and improve there weakness. 4 companies which would select for the comparison because all the companies have a same parameter and comparison would be done in all parameters easily.

**DIFFERENCE BETWEEN IND AS,IFRS AND INDIAN GAAP****Table 4 : Difference Between INDIAN GAAP , IND AS AND IFRS**

ACCOUNTING STANDARDS	INDIAN GAAP	IFRS	IND AS
<b>Presentation Of Financial Statement</b>			
Component	According to the Companies Act.2013 'financial statement' in relation to companies include: Balance Sheet at the end of the financial year. Profit and Loss Account Or in case some companies carrying on any activity not for profit an income and expenditure account for the financial year. a company having one or more subsidiaries or any equity companies need to prepare a consolidated financial statement of the company and for a parent separate financial statements to be present in terms of the listing agreement the stock exchanges and the SEBI guidelines.	In IFRS complete set of financial statements are:-  Statement of financial position. Statement of profit or loss and other comprehensive income. A statement of changes in equity A statement of cash flows Notes comprising significant accounting policies and other explanatory information.	Complete set of financial statements under Ind AS:- Balance sheet at the end of the period Statement of profit or loss Statement of cash flows Statement of changes in equity Notes includes summary of accounting policies and other explanatory information
Format	Schedule III prescribes the minimum requirement for disclosure on the face of the balance sheet and profit and loss and notes.	Its include illustrative format for the presentation of financial statement. In addition if there is a change in guidance to be identify and clarify method of presentation in these financial statement.	Its not include illustrative format for the presentation of financial statement. <b>Disclosure initiative are yet to be made in IND AS 1.</b>
<b>Change in Accounting Estimates and error</b>			
Change in Accounting Policies	Requires prospective application when there is change in accountingn policies. If there is a change in accounting policies for the current period and the effect would be done in later periods it should be disclosed.	Require retrospective application when there is change in accountingn policies.	Requires retrospective application when there is change in accountingn policies.
<b>Employee benefits</b>			
Discount rate	Discount rate is considered on government bonds at the time of balance sheet. <b>The currency and the government bonds should be uniform with the currency and estimated of the post-employment benefit obligation</b>	Post-employment benefit obligations are discounted using a discount rate at end of the reporting period on high quality corporate bonds. In countries, when there is no deep market in such bonds, the market benefit on government bonds it will used that currency which is denominated.	Post-employment benefit obligations are discounted at discount rate determining by market supply at end of the reporting period on government bonds. Outside the India, rate is determined by market supply rate on high quality corporate bonds at the end of the reporting period.
<b>Related party</b>			
Exemption	No disclosure is required in the financial statement of a statement controlled enterprise as consider related party relationships with other state controlled enterprises and transaction with such enterprise.	Minimum disclosure should be made by government related entities.	Disclosure which conflict with confidentiality requirements of regulation are not required to be made.
<b>Investments in Associates and Joint venture</b>			
Equity Method	As per companies act, 2013. Financial year ending 31 march ,2015 if an entity has only associates or joint ventures but no subsidiary need not to be prepared consolidated financial statement	If consolidated financial statement is not prepared, equity accounting is used.	If consolidated financial statement is not prepared, equity accounting is used.
Capital reserve/Negative Goodwill	When capital reserve arising on the acquisition of an associate by an investor should be included in the carrying amount of investment in associate but disclosed separately.	Any excess of the investor's share of net fair value of the associates identify assets and liabilities over the cost of investment is included as income in the determination of the investor's share of associates profit and loss in the period in which the investment is taken.	Any excess of the investor's share of net fair value of the associates identify assets and liabilities over the cost of investment is recognised directly in equity as capital reserve in that period in which the investment is acquired.
<b>Business Combination</b>			
Pooling of interest and Purchase Method	Amalgamation in the nature of purchase are accounted for by recording the identifiable assets and liabilities acquire at the book value or fair value	According to IFRS 3 pooling of interest method to record business combination is prohibited. Purchase method using all business combination other than those between entities under common control.	Business combination transactions between entities under common control should be counted for using the pooling of interest method.

Goodwill Measurement	If the amount of the consideration is excess the value of the net assets of the transferor company acquired by the transferee company is recognised in the financial statement of the transferee company as goodwill arising on amalgamation. If the amount of the consideration is lower the value of the net assets acquired, the difference is recognised under capital reserve, a component of shareholder equity.	Goodwill is measured as the difference between:- Aggregate of the acquisition date fair value of the consideration transferred. The aggregate amount of any non-controlling interest. Net of the acquisition date fair values of the identifiable assets acquired and liability assumed. If the above difference is negative, the resulting gain is recognized as a bargain purchase in profit or loss.	Any gain or bargain purchase is recognised in other comprehensive income and accumulate in equity as capital reserve. If there is no reason for classification of the business combination as a bargain purchase, the resulting gain is recognised directly in equity as capital reserve.
SEGMENT			
Determination of Segment	AS 17 requires an enterprise to identify two sets of segment i.e. business and geographical, using a risk and rewards approach.	Operating segments are identified based on the financial information that how it is regularly reviewed by the decision maker in deciding how to allocate resource and improve performance	Operating segments are identified based on the financial information that how it is regularly reviewed by the decision maker in deciding how to allocate resource and improve performance
Separate and Consolidated Financial Statement			
Control	Control is :- The ownership, directly or indirectly through subsidiary of more than one-half of the voting power of an enterprise. Control of the composition of the board of directors in the case of a company as to obtain economic benefits from its activities. More than 50% of the equity shares is sufficient to constitute control under Indian gaap.	Control is based on whether an investor has:- Power over the investee Exposure or rights to variable return from its involvement with the investee Ability to use its power over the investee to affect the amounts of the returns In this there is no necessarily that ownership having more than 50% of equity shares.	Control is based on whether an investor has:- Power over the investee Exposure or rights to variable return from its involvement with the investee Ability to use its power over the investee to affect the amounts of the returns. In this there is no necessarily that ownership having more than 50% of equity shares.
Reporting dates	The difference between the reporting date of the subsidiary and that of the parent should be not more than six months.	The difference between the reporting date of the subsidiary and that of the parent should be not more than three months.	The difference between the reporting date of the subsidiary and that of the parent should be not more than three months.
Non Controlling Interest	Minority interests are presented in the consolidated balance sheet separate from liabilities and the equity of the parent's shareholder.	Non -controlling interest with in the equity are presented in the consolidated financial statement. Separately from the equity of the owners of the parent.	Non -controlling interest with in the equity are presented in the consolidated financial statement. Separately from the equity of the owners of the parent.

**HYPOTHESIS OF STUDY**

Hypothesis study would be done to know about how can be the little change in the standards it will effect the financial statement.

**PROPEY, PLANT AND EQUIPMEMNT**

In INDIAN GAAP there is no exemption for property under development in future as they use as investment property, so it to be treated as expenses in the Profit and Loss Account but if it treated as the asset it would effect the balance sheet and the depreciation will also charged in Profit and Loss Account.

When it use in property under development as the asset it would effect two financial statements and the company asset will increase which even not in use.

It may effect worse as depreciation would charge on that asset which the company is not using and going for development .

It gives impact on that how the occurrence of the item will change the financial statement and the company's financial position will also change .

**CHANGE IN ACCOUNTING ESTIMATES AND ERROR**

In IFRS when we make a change in the accounting policies occur it requires retrospective effect, it means change in any policy it would change all the comparative years of the balance sheet which effects very badly to the previous balance sheet of the company. Assume that how the retrospective effect the financial statements , it change the current as well as the previous years of the balance sheet of the company.

In INDIAN GAAP the change in accounting policy will not effect the previous year of the company , the changes will be done only in the current period and compare the current position with previous one which will not change by that policy. It would effect

very badly to the financial position as it dont get the proper data and estimates as the changes would be done differently which is very difficult to compare and get the proper financial data.

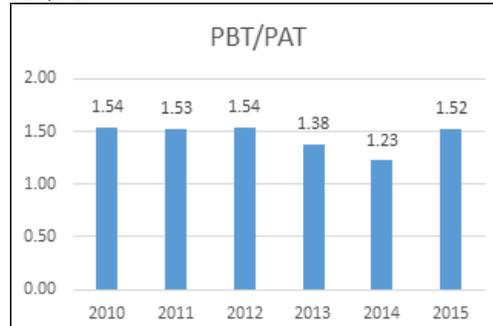
**INCOME TAXES**

Income tax will be charged as per the government policies. It will every year that how the tax will be charged by the public. If the government start giving some exemption to the brokerage industry it will effect the SENSEX Index very badly or even think people who will invest in the market more to get exemption from taxes.

Stock market will effected badly and it gives great impact on the financial statement of the company. Changes in the income tax always give great impact on the compant and the public in a very big manner.

**DATA ANALYSIS**

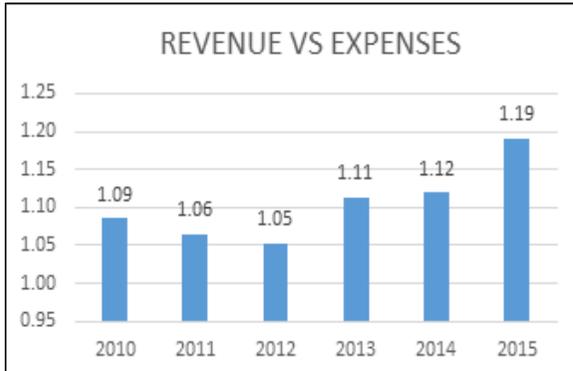
**RATIO ANALYSIS OF FINANCIAL POSITION OF SMC PBT/PAT**



**Graph 2: PBT/PAT**

As per above chart in 2015 the company earns higher profit than 2014 and 2013. Company's profitability position is much better and they paid higher taxes to the government which indicates the company's financial position is very good and the investors are like to invest in such a company.

**REVENUE VS EXPENSE**

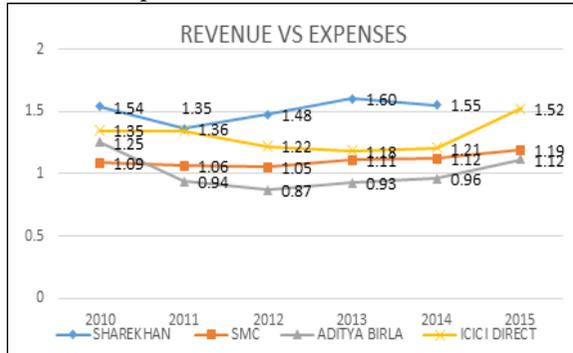


**Graph 3: Revenue/Expense**

As per above chart in 2015 company generates higher revenue as compared to the other years and it handles their expenses much better than the previous years which implies company financial position is very good and the investors are willing to put their money in this company.

**COMPETITORS ANALYSIS**

**Revenue Vs Expenses**



**Graph 4: Revenue/ Expenses**

As per above chart, SHAREKHAN LTD. Earns larger profit than the other competitors as it spends its in more systematic way as compared to its other three competitors

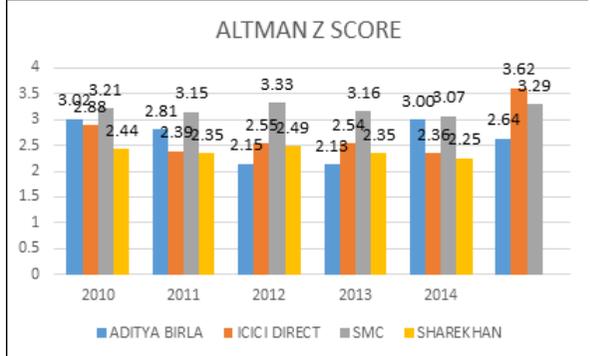
**Debt to Equity**



**Graph 5: Debt to Equity**

As per above chart in Aditya Birla has consistently post 2012 shown higher debt/equity ratio whereas SMC has maintained a lower ratio which is really good for the company.

**ALTMAN Z SCORE**



**Graph 6: Altman Z Score**

**Interpretation:**

Altmann Z-score is used to understand the company's financial stability of the company and whether the company is in such financial condition to sustain in long run. If a company has a score higher than 2.99 the company is considered to be in a safe position. As it is quite evident from the graph that for the last five years the company has consistently been able to maintain a position that higher than 3. This goes about to show the company is nowhere near any condition that may lead the company into dilution.

**Zones of Discrimination:**

Z > 2.99 -"Safe" Zones

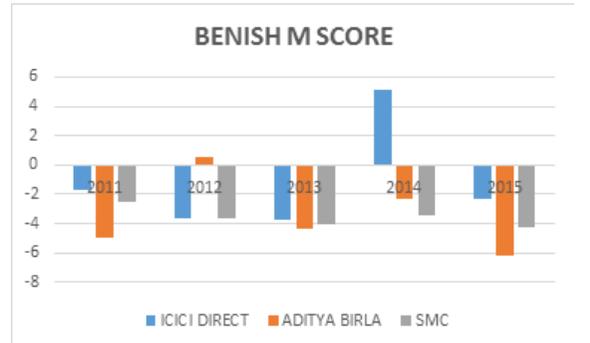
1.81 < Z < 2.99 -"Gray" Zones

Z < 1.81 -"Distress" Zones

Altman Z Score indicates company has a liquidity problem or not, whether the company near to the bankruptcy or not.

All the Company in every years is in the safe zone, does not have bankruptcy problem as z value is always greater than 2.99.

**BENISH M SCORE**



**Graph 7: Benish M Score**

SMC Global Securities Ltd., all the years indicates a high probability of earnings manipulation which is greater than -2.22 and investors are ready to invest in their company.

**FINDINGS**

**LEASE ACCOUNT**

Lease rentals in respect of operating lease arrangements are charged to the Statement of Profit & Loss in expenses and other operating expenses. The lease would be done on the exchange of share by the clients for the some period, client may be Hindustan Oil Exploration Company Limited, Bajaj Hindustan Limited etc.

Leases treatment would done under other espenses in profit and loss account in which company have to pay more tax but it is beneficial because its a short term lease which give benefits to the company.

SMC Global Securities Ltd., they treat their employees as the asset of the company. Corporate performance and revenue growth are challenged by internal and external operating environment factors. Motivate employees is a valuable asset can help to boost productivity of company level of employees engagement & loyalty.

Less than 1% of our population invest directly in the market with and 2 to 3 % invest through Mutual Funds. Less than 2% of the household savings goes to the capital market.

As per the data is available from the two depositor there are approx. only 2.25crore demat account on 125 crore population. As the company is going to be registered in ADRs , the company want to make some changes in their financial data the project will help out in that how INDIA AS is different from IFRS.

SMC biggest competitor is Sharekhan Ltd. As SMC wants to spend more on Research and Development activities as they provide more services to the customer and come up with new policy and schemes so the customer will invest more.

**SWOT ANALYSIS**

**Strengths**

- Online trading
- Cross selling
- PAN India reach, large network
- 20 years' experience and expertise
- Lower attrition & professional management team
- One stop solution for all financial services (Broking, financing, advisory etc.)
- Innovative range of financial products
- Transparent functioning
- Innovative IT solution

**Weakness**

- Cost of capital is High
- Lower capital base is impacting lending to HNI & Corporate
- Lower institutional business

**Opportunities**

- Growth for funding business in India as banks lending Book in India is US\$1 trillion+
- More arbitrage returns in volatile market
- Expected GDP growth of 8%+ in coming years
- International expansion opportunities
- Increase in middle class segment will result in more Wealth management & insurance business
- Governments special focus on real estate sector and is expected to grow to USD\$180 BN by 2020
- Consolidation of broking houses
- Low penetration in online trading
- Presence in west & South India

**Threats**

- Stringent government/ regulatory norms & policies
- Intense competition
- Global slowdown
- Investor confidence needs to be restored by giving clear direction in regards to Minimum Alternate Tax (MAT) and other various taxes.
- Any slackening in the reform momentum (by the government) could result in a more modest or slower pace of recovery.

**DEPRECIATION**

**Table : 5 Depreciation (2013 -2014 and 2014-2015)**

Particulars	For the year ended 31.03.2015	For the year ended 31.03.2014
Depreciation Assets on Tangible	98,525,531	63,262,696
Depreciation Assets on Intangible	10,684,940	7,910,6931

Source : Company Annual Report

Depreciation And Amortisation Expenses except for one Indian Subsidiary namely SMC Capitals Limited and another Indian step down subsidiary SMC Insurance Brokers Pvt. Ltd., where it has been computed on straight line method at such rate as computed considering useful life provided in the Schedule II of the Act. During the preceding years, Companies were providing depreciation on written down value or straight line method as the case may be, at the rates prescribed in schedule-XIV of the Companies Act, 1956.

**In case of foreign subsidiary:-**

Depreciation on tangible fixed assets has been provided on straight line basis as under:

- SMC Comex International DMCC, UAE
- Office Equipments : 20 %
- Furniture & Fixtures : 20 %

**Intangible Fixed Assets :-**

Depreciation on tangible fixed assets continues to be computed on written down value method at the following rates:-

- Computer Software 40%
- Trade Mark Logo 40%
- Goodwill 25%

In case of a subsidiary SMC Investments and Advisors Limited where Goodwill is to be amortized over a period of three years starting from 01-01-2014.

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**SUGGESTION**

**SMC Global Securities Ltd.,** that investors are ready to invest in our company, putting that money in expansion. As company have many subsidiaries which are in growth stage it start dealing with Commodity, Mutual Fund, IPOs etc. so that these subsidiaries will earn more profit and can expands the business globally more.

The one of the subsidiary Moneywise Financial Service Private Limited which having high market share but having low market growth rate, so the company put the investment it so that this subsidiary will grow. In SMC COMTRADE Ltd, the company need to put money in research and development so that it can give tough competition to the competitors in the technology.

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