INTRODUCTION

Financial Reporting is mirror of business. It states all about the business. It is done through financial statements. General purpose of financial statements includes balance sheet, statement of profit and loss, cash flow statement (where ever applicable) and statements and explanatory notes which form part thereof, issued for the use of various stake holders, Government and their agencies and the public. Responsibility for the preparation of financial 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 full financial year. It means a report containing either a complete set of financial statements or a set of condensed financial statements for an interim period.

The interim financial report containing condensed financial statements in intended to provide an update on the latest annual financial statement it light on new events, activities and circumstances. Timely and reliable reporting is very useful for investors, creditor’s government and others to understand an enterprise’s capability to generate earnings and cash flows, and to know about its economic condition and liquidity. The interim financial reporting has become a challenging task now-a-days. It has been proved that in the current period of global recession satisfaction of investors is must. They want continuous information about their investment. Waiting for final results is very anxious to them. So that companies should make proper and timely interim financial reporting to improve the ability of investors, to satisfy the lenders and to ensure security against fluctuations.

The Institute of Charted Accountants of India has issued As-25 for ‘Interim Financial Reporting’ which is a benchmark for interim financial reporting. It comes into effect in respect of accounting periods commencing on or after 01-04-2002. It is Applicable to all enterprises required or electing to prepare and present an interim financial report. The Main objective is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in a complete or condensed financial statement for an interim period. The scope is stated in As-25 that if any enterprise is required or elects to prepare and present an interim financial report, it should comply with this standard.
Interim period means a financial period shorter than a full financial year and interim financial report means financial report containing either a complete set of financial statements or a set of condensed financial statements (as described in this standard) for an interim period.

Minimum Components of an interim Financial Report are condensed balance sheet, condensed statement of profit and loss, condensed cash flow statement and selected explanatory notes. However presentation of a complete set of financial statements or more than the minimum line items or selected explanatory notes is not prohibited or discouraged.

Form and Content of Interim Financial Statement

- Where complete set of financial statements are prepared and presented in the interim financial report. The form and content of those statements should conform to the requirements as applicable to annual complete set of financial statements.

- Where a set of condensed financial statements are prepared and presented in the interim financial report.

The condensed statements should include, at a minimum, each of the headings and sub-headings that were included in its most recent annual financial statements and the selected explanatory notes as required by this statement. Additional line items or notes should be included if their omission would make the condensed interim financial statement misleading.

If an enterprise presents basic and diluted earnings per share in its annual financial statements in accordance with Accounting Standard (AS) 20-Earning Per Share, basic and diluted earnings per share should be presented in accordance with AS-20 on the face of the statement of profit and loss, complete for an interim period.

If an enterprise’s annual financial report included the consolidated financial statements in addition to the parent’s separate financial statements, the interim financial report includes both the consolidated financial statements and separate financial statements, complete or condensed.

Selected Explanatory Notes
The following minimum information should be including the notes, in the notes, if not disclosed elsewhere in the interim financial report.

- A statement that the same accounting policies are followed in the interim financial statements as those followed in the most recent annual financial statements or, if they have been changed a description of the nature and effect of the change.
- Explanatory comments about the seasonality of interim operations.
- The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence,
- The nature and amount or changes in estimates or amounts reported in prior interim periods of the current financial year or in prior financial years, if those changes have a material effect in the current interim period.
- Issuances, buy-backs, repayments and restructuring of debt, equity and potential equity shares.
- dividends, aggregate or per share (in absolute or percentage terms), separately for equity shares and other shares;
- Segment revenue, segment capital employed and segment result for primary segment (whether business segment or geographical segment) - only if the enterprise is required in terms of AS-17-Segment Reporting to disclose segment information in its annual financial statements.
- The effect of changes in the composition of the enterprise during the interim period such as amalgamations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations, and
- Material changes in contingent liabilities since the last annual balance sheet date.

The above information should normally be reported on a financial year-to-date basis. However, any material events or transactions necessary to an understanding of the current interim period should also be disclosed.

**Period for which interim Financial Statements are required to be presented**

Interim reports should include interim financial statements (Condensed or complete) for periods as follows:
• Balance sheet at end of current interim period and at end of immediately preceding financial year.

• 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

**Materiality**

Materiality should be assessed in relation to the interim period financial data.