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# CLOUD AUDIT

October 2022

**Form 7 – New Format for Annual Report on  
Statement of Accounts as Notified by  
Karnataka RERA  
(Part - 17 of RERA Series)**

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# FORM 7 – NEW FORMAT FOR ANNUAL REPORT ON STATEMENT OF ACCOUNTS AS NOTIFIED BY KARNATAKA RERA (PART - XVII OF RERA SERIES)



CA. Vinay Thyagaraj

Request the reader of this article to consider and read the September 2022 Article titled RERA Audit 2022.

3<sup>rd</sup> Proviso to section 4(2)(1)(D) of RERA Act – Provided also that the promoter shall get his accounts audited within six months after the end of every financial year by **a chartered accountant in practice**, and shall produce a statement of accounts duly certified and signed by such chartered accountant and it shall be verified during the audit that the amounts collected for a particular project have been utilised for the project and the withdrawal has been in compliance with the proportion to the percentage of completion of the project

In this regard, Karnataka RERA has notified the new format in FORM 7 during September 2022 where in the detailed information with respect to the RERA registered project shall be certified by a Chartered Accountant holding certificate of practice.

In September 2022 Article, the background, objectives, documentation required, reference of other professional certificates, do's and don'ts, responsibility of the promoters with respect to furnishing the information for the purpose of RERA Audit, challenges, penal provisions and Best Practices to be followed while issuing certificates etc were discussed.

As Karnataka RERA notified the new format **Format for Annual Report on Statement of Accounts**, it has become necessary to deliberate on the contents of the new format for the benefits of the industry and members.

The newly notified form 7 is exhaustive and covers the entire project financials, cash flow, various compliances mandated under the RERA Act. The certifying professional shall understand each provision before certifying the Annual Report on Statement of accounts and its annexure thereon.

## The content of the new form 7 are as follows –

1. Report on Statement of Accounts on project fund utilisation and withdrawal

## Annexure A –

### a. **Table A – amount collected from the allottees of the project – points to be considered while filling and certification –**

- i. Total amount collected from the allottees with respect to the project
- ii. Refunds on cancellation shall be reduced and net amount shall be mentioned
- iii. Total amount shall be mentioned since inception of the project (in case of ongoing project pre and post RERA values to be mentioned)
- iv. Other charges collected from the allottees of the project (not included in the above table) shall be mentioned separately. Few E.g.,
  1. Water, electricity charges
  2. Advance maintenance charges
  3. Legal charges etc
- v. All the above details shall be provided for the Current year and preceding year

### b. **Table B – Amount incurred by the Promoter (the details are similar to the Form 4, Quarterly update CA Certificate format)**

- i. Towards land cost including interest on borrowing for the purpose of acquisition of land
- ii. Development cost or cost of construction
- iii. Total cost incurred

### c. **Withdrawal and utilisation statement –**

- i. Amount withdrawn from 70% account (i.e., from RERA Designated project bank account)
- ii. Utilisation of such withdrawn from the 70% account
- iii. Further the CA shall certify that the amount withdrawn from 70 % accounts are not used

for the project shall be mentioned. This is like a qualification in the report.

- iv. Professionals shall verify the books of account in order to know the utilisation for the purpose of the project. In case of promoter having multiple projects or multiple business in the same entity, apportionment of common expenses based on scientific parameters etc., E.g., interest based on utilisation of funds for the project, common architect, engineer, administrative expenses

**d. Table C – summary of total collections and realisation since inception of the project –**

- i. In case of ongoing projects on the date of the notification of RERA Act (i.e., 1.5.2017) the promoter shall provide pre, post RERA details year wise.
  1. Total collection
  2. Total expenses incurred towards land, construction, other expenses

**e. Table D – Liabilities towards the Project development**

- i. To prepare this table of information, promoter shall provide the audited financial statements (Assets and liability) of the project (not the entity wise).
- ii. Disputed liabilities (taxes, government levies etc)
- iii. Compensation as per agreement in case of delay in project delivery. The professional shall verify the agreement of sale and make note of the promised delivery to the allottees as per agreement of sale.
- iv. This information may not be readily available with the promoter. The professional shall explain the promoters and request them to provide the required information.

**f. Table E – Liabilities towards Bank Borrowings –**

- i. Total loan outstanding as on 31.03.2022, borrowed and utilised for the purpose of the project.
- ii. Shall mention whether the loan is secured or unsecured.
- iii. In case of the loan is secured, details of the security shall be provided
- iv. Collect the information from the banker/lender including the unposted interest on borrowings or suspense interest on borrowings

**g. Table F – Liability based on the orders of RERA authority, Appellate**

- i. To know these details the professional may ask the landowner in case of development
- ii. To know these details the professionals shall access the data available and capture the information in this regard

**Annexure B**

**h. Further the professional shall certify various provisions under RERA. The brief of the compliances is as under –**

- i. Compliance with respect to RERA bank account
- ii. Details of all quarterly update certificates and details of filings quarter on quarter.
- iii. RERA Bank account directions 2020 contents shall be read, understand before certifying this Form 7.
- iv. Section 13 compliance - The section 13 mandate the registration of agreement of sale, if the promoter wish to collect in excess of 10 % of the project cost and report of non-compliances
- v. Details of borrowing by mortgaging the project land etc
- vi. Details of form 4,5,6
- vii. List of Agents engaged as per project

The new Form 7 is in pdf and available at <https://rera.karnataka.gov.in/downloadPage> - Certificates Required for Quarterly updates (QU) and Annual Reports

Conclusion – The Audit of Accounts under RERA requires the chartered accountant to verify and report on all applicable provisions under the Act, Rules etc., professionals should advice the promoters of the project to maintain the accounting data project wise, prepare project-wise financial statements and same shall be submitted along with this audit report.

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