

12. GOING CONCERN BASIS

To comply with the directives of the Reserve Bank of India the company ceased to accept deposits from September 1997. Despite cessation of business, substantial accumulated losses, non-provision for full NPA's and interest payable, rejection of the "old scheme under review" and winding up petition filed by the Reserve Bank of India and various creditors of the company, the accounts of the company have been prepared on a "going concern" basis on an assumption made by the management that adequate finances and opportunities would be available in the foreseeable future to enable the company to start operating on a profitable basis.

13. BALANCE CONFIRMATION

(a) Balance confirmation of bills receivable and payable, advances recoverable in cash or in kind, receivables and payables relating to lease and hire purchase, lease security deposit of which party wise details are not available, inter-corporate deposits, balance of ex-employees, margin against L/C, loans from institutions, banks, and other receivables and payables have not been received from the parties/persons concerned. In the absence of balance confirmation the closing balances as per books have been incorporated in the final accounts and have been shown, unless otherwise stated by the management, as good for recovery/payment. Time barred debts under the Limitations Act have not been separately ascertained and written off or provided for.

(b) To overcome past deficiencies a new accounting software package was introduced in an earlier year on the basis of which accounts have been drawn. However, the aggregate of unreconciled opening balances of various sub-ledgers with general ledger and subsequently other rectification entries/ unidentified balances requiring further analysis had been transferred to a separate account which at the end of the year is Rs. 203.77 lacs debit and Rs.363.61 lacs credit and net balance of Rs. 159.84 lacs has been shown as a current liability.

14. PRIOR PERIOD ADJUSTMENT, FIXED ASSETS WRITTEN OFF

(a) During the year 1996-97 as per the settlement with one of the Debtors company had shown addition in the Building of Rs. 10.00 Lacs and reduced the debtors to that extent.

Subsequently the party took the building back and settled the account by paying Rs. 14.21 lacs in the year 2004-05, however value of building was wrongly retained in the books. Since the transaction has already been settled in the year 2004-05, the net book value of the building amounting to Rs. 8.17 has been charged to profit and loss account as prior period expenses during the year.

(b) The company has vacated its one of the office due to legal case filled by Land Lord and all the temporary structure, furniture and fixture and plant and machinery which was of no realisable value has been abandoned and as per books of account WDV of Rs. 2.69 lacs has been charged to the profit and loss account as loss on sale of fixed assets.