

# **C A's Role in Real Estate (R &D) Act**

by


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# RERA 2016 --Object

- ▶ is one of the landmark legislations passed by the Government of India
  - ▶ with an objective to reform the real estate sector in the country,
  - ▶ to streamline and regulate,
  - ▶ by incorporating various measures to inculcate financial discipline,
  - ▶ transparency and accountability and
  - ▶ to safeguard general public by prescribing adequate procedures and penal provisions.
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# Applicability

- ▶ Wef .1.5.2017 all the 92 sections of the ACT
- ▶ Section. 3(2)(a) of the RERA Act, no registration of a real estate project is required **where the area of**
- ▶ **land proposed to be developed does not exceed 500 square meters** or
- ▶ **the number of apartments proposed to be developed does not exceed eight,**
- ▶ Registration of Projects by Promoters. Sec 4(1)
- ▶ Registration of Agents Sec.9(1)
- ▶ Complaints by Allottees Sec.31(1)

# Role of Chartered Accountants

- ▶ Certification—Sec.4(2)(1)(D) –1<sup>st</sup> and 2<sup>nd</sup> Prov
  - ▶ Audit –Sec. 4(2)(1)(D) –3<sup>rd</sup> Proviso
  - ▶ Representation before RERA Authorities & RERA Appellate Authorities—Sec. 56
  - ▶ Consultancy & Advisory services
  - ▶ Qrtly updation in the RERA website sec.11(1)
  - ▶ Project completion certificate
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# Provisions of the Act

- ▶ **Sec. 4(1)** : Promoter shall Apply for Regn. in the prescribed format.
- ▶ **Sec. 4(2)**: Details to be furnished in such Application.
- ▶ **(I)(D)**: *that seventy per cent of the amounts realised for the real estate project*  
from the allottees, from time to time,  
shall be deposited in a separate account to be  
maintained in a scheduled bank  
to cover the cost of construction and the land cost  
and shall be used only for that purpose:

# Provisions of the Act-contd

- ▶ Provided that the promoter shall withdraw the amounts from the separate account, to cover the cost of the project, in proportion to the percentage of completion of the project:
- ▶ Provided further that the amounts from the separate account shall be withdrawn by the promoter after it is **certified** by an engineer, an architect and a chartered accountant in practice that the withdrawal is in proportion to the percentage of completion of the project:

**Sec. 56:** A CA can also appear before RERA Authority or Appellate Authority or Adjudicating Authority

# THIRD PROVISO-- AUDIT

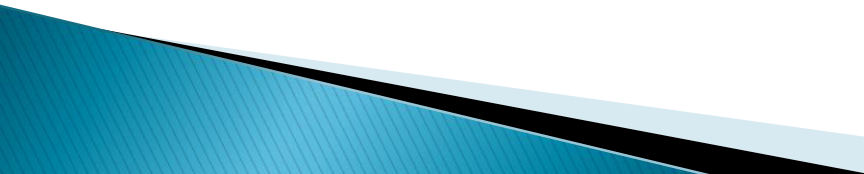
- ▶ Provided also that the promoter shall get his accounts audited within six months after the end of every financial year by a chartered accountant in practice, and shall produce a statement of accounts duly certified and signed by such chartered accountant and it shall be verified during the audit 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.**

# TOTAL COSTS ESTIMATION


- ▶ **Sec. 2(v)** *"estimated cost of real estate project"* means the total cost involved in developing the real estate project and includes the land cost, taxes, cess, development and other charges



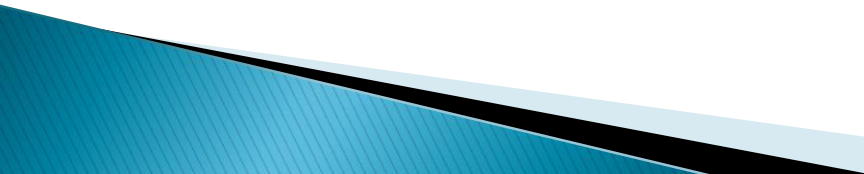
# Project Costs to include

- ▶ Land Cost:–Actual cost, Stamp duty, Brokerage paid, conversion costs, Approval Fees etc. (If it is owned long back SRO Value on the date of conceiving the Project)
  - ▶ Development Costs:– Construction costs– Direct & Indirect–proportionate Overheads
  - ▶ Interest, Insurance, cost of TDRs, Premium on FSI charges
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# Project Costs NOT to include

- ▶ General Admin costs—Eg. Directors / partners  
Remuneration
  - ▶ Selling Costs
  - ▶ R & D Costs
  - ▶ Depn on Idle P & M
  - ▶ Costs of unconsumed / installed Materials
  - ▶ Sub-contractors advances
  - ▶ Interest on capital of Partners
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# What is the % of Completion

- ▶ Actual costs Incurred / Estimated Total costs  
Or
  - ▶ Survey of Work performed– :Technical estimation  
Or
  - ▶ Completed portion—physically—Qty.
  - ▶ SA-620 Experts Opinion
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# Working papers

- ▶ Letter of engagement
- ▶ Promoters certified copies
- ▶ SA 620—using the Work of an Expert
- ▶ Here the Engineer + Architect certificates
- ▶ Books of accounts expenses–Allocation of OH
- ▶ Percentage of Completion method
- ▶ Registers of the Project –Allotment register
- ▶ Notes on Accounts and Assumptions made


# A.P. RERA Rules 2017

- ▶ Rule 14(5): Register of Allottee's –Form R
- ▶ Register of Advances Collected – Form S
- ▶ Rule 5 –Form –F3 (both for Regn. and withdrawal)–Additional Information–Annexure–A, Un-booked Area x ASR=Value
- ▶ If costs to be incurred are more than the money to be received from booked and un-booked areas—100% of allottees money has to be Deposited.
- ▶ Rule 3B(2)(j)– No format for Annual Report by CA


# Telangana RERA Rules, 2017 wef.1.11.2018

- ▶ Architect Certificate – Form –1
- ▶ Engineers Certificate – Form 2
- ▶ C.A Certificate in Form –3 (both for Regn. and withdrawal)–Additional Information–Annexure–A, Un-booked Area x ASR=Value
- ▶ If costs to be incurred are more than the money to be received from booked and un-booked areas—100% of allottee's money has to be Deposited. This CA has to certify
- ▶ No format for Annual Report by CA( to be submitted with in 6 months from the end of each Financial year)

# General – things to be followed

- Certification is governed by guidelines issued by ICAI – Certificates and audit under RERA -2019
  - Guidance note on reports or certificates for special purposes (Revised 2016)
  - Using the Work of Expert – Auditing Standard
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# General things to be followed– contd


- Bank balance of all bank accounts
  - Profit and Loss Account and Balance Sheet
  - Approved plans/ area and Budgeted price of Units
  - Advance received as per prescribed format and Books of a/cts --should match – Difference should be documented
  - Checking with Agreements for sale
  - Comparing the opening balances with audited books a/cs and with income tax returns
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# Work Flow & Working Papers

- To go through the unaudited books from Client
- Review the data and ensure that it is not materially misstated
- Check the progress reported in Form 1 and Form 2 by Architect and Engineer
- Management representation to include the below points
  - Budgeted costs and Actual costs
  - Declaration that We have relied on unaudited number
  - Declaration of Form 1 and Form 2 data and required information has been given to professional
  - Declaration that all permissions for construction are obtained
  - Numbers are unaudited and not materially misstated

# Work Flow & Working Papers-- contd

- Whether there has been any instance of receipt of consideration in excess of 10% of apartment value without entering into a registered agreement for sale. – Provide unit number, total consideration and amount received in excess of 10%.
  - Whether the project is carried out by availing any loans/borrowings? – Name of lender, Amount of Loan sanction, Sanction date, Loan outstanding..., Collateral Mortgage security.
  - If yes to above, whether promoter has mortgaged or created a charge on any booked unit?
  - Whether any discrepancy noticed in Forms 1, 2 and 3 with reference to their issuance in accordance with the RERA Act, Rules and Regulations?
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A close-up photograph of a hand holding a bright yellow daffodil flower. The hand is positioned in the lower right, with fingers gently gripping the green stem. The flower is in full bloom, with six petals and a central corona. The background is a soft, out-of-focus white and light blue.

**Thank you !!**

▶ Dr.CA. Phalguna Kumar.E

