

## Case Study

# Subsidiaries of a US-based Pharmaceutical Company

Service(s) offered: **CFO Support & Finance Controller Services**

Sector/Industry: **Healthcare**



## Audit Support and Clean-up of Books of Accounts for Subsidiaries of a US-based Pharmaceutical Company

Two subsidiaries of a US-based pharmaceutical company traded ophthalmic products and specialty healthcare products used for aesthetic and therapeutic purposes, respectively.

One subsidiary was a joint venture with an Indian listed company while the other was a wholly-owned subsidiary.

The entities prepared financial statements as per the Indian Accounting Standards (Ind AS) and the Indian Generally Accepted Accounting Principles (IGAAP), respectively, while maintaining accounts as per the US Generally Accepted Accounting Principles (US GAAP).

This led to inconsistencies between the figures in the previous year's financial statements and the books of accounts. In addition, there were constant changes at the finance controller level during the last three to four years which made reconciliation more challenging.

### Challenge

- **Dual Books of Accounts:** The entities that maintained dual books of accounts didn't follow the proper reconciliation process.
- **Statutory Audit Deadline:** The entities needed to conclude the Statutory Audit within a short period immediately after the end of the financial year.
- **External Support Required:** The finance team, led by a finance controller, required external support to prepare financial statements and schedules to meet the audit deadline.
- **Reconciliation between Standards:** The books of accounts were maintained in US GAAP, requiring identification of adjustments to reconcile them with Ind AS/IGAAP.

### Case Highlights

- **In-depth Review:** Conducted a comprehensive review of the company's accounts in accordance with the local GAAP.
- **Timely Completion:** Ensured the timely completion and submission of the Statutory Audit and Tax Audit.
- **Accounting Guidance:** Provided complete guidance to the client regarding accounting implications for inter-company adjustments and inventory valuation.
- **Adjustment Implementation:** Identified appropriate adjustments in the books of accounts maintained in US GAAP.
- **Reconciliation:** Conducted a reconciliation between the statutory and management books of accounts.

## **Our Solution**

### **Clean up of Books of Accounts**

The Nexdigm team performed a detailed review of all Financial Statement Line Items (FSLI) to align them with US GAAP and Ind AS/IGAAP respectively.

We reviewed the underlying documents and conducted management inquiries to finalize the necessary rectifications for reconciling the management and statutory books. We also provided adjustments for accounting entries to be posted in the books of accounts.

### **Preparation of Local GAAP-compliant Accounts and Financial Statements**

Our team reviewed the company's data, records, and methods of maintaining management and statutory accounts.

We then prepared accounts compliant with the local laws, including a review of complex areas, including inventory, consumption of goods, revenue, payroll expenses, inter-company balances, and related party transactions.

### **Preparation and Collation of Working Papers**

The Nexdigm team prepared all the necessary working papers to support the financial statements.

We even coordinated with the various local and global teams to collect documents and data related to inventory, payroll, secretarial compliance, etc.

We ensured that the auditors received appropriate support, including documents and calculations, to conclude the audit.

In addition, we assisted in performing a variance analysis at the financial statement level.

### **Speedy Resolution of Audit Queries**

The team addressed all the queries raised by the auditors promptly in order to avoid delays and meet the stringent timelines.

### **Issue Identification**

We identified issues related to inter-company balances and inventory valuation from previous years and promptly escalated them to the current management for resolution.

## **Impact**

The Nexdigm team prepared a reconciliation supported by detailed workings and documentation between the management and statutory books of accounts.

We completed the yearly Statutory Audit within the management's specified deadline and enhanced confidence in the financial statement figures for both the finance controller and auditors.

We also provided the local controller and global team with an overview of the differences and their resolutions, strengthening their control over financial balances and earning their appreciation.

For more information on this case study, please write to us at:

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You can also visit our website to know how our services resulted in tangible business benefits:

**[www.nexdigm.com](http://www.nexdigm.com)**