

Amendments in Schedule III of The Companies Act, 2013

(Issued on 24th March, 2021)

M P Vijay Kumar



Insurance!!!

This presentation should only be read along with the text of amendments to The Companies Act 2013 and AS/ Ind AS as applicable.

The views expressed are those of the presenter and, therefore, do not necessarily represent the views of either the Council or any Committee(s) / Board(s) of the Council of the Institute of Chartered Accountants of India (ICAI).





CONTEXT

ACCOUNTING IS ACCOUNTABILITY

ACCOUNTING IS BASE FOR TAX, GOVERNANCE, CREDIT, INVESTMENT, SUSTENANCE

OPINION ON FS IS A COMMUNICATION: SHOULD BE ONLY TRUTHFUL & COMPLETE

- **Throughout the world, there is a great awareness among citizens in general that *every learned profession should develop a sense of social purpose and social obligation and this should be more so in the case of the accounting profession*, which because of the present context in the country has assumed considerable importance.**
- ***The Chartered Accountant is a person on whom every member of the society could rely and rely strongly. His certificate would be one by way of a seal and a hall mark of which would inspire confidence in the minds of all concerned as certificates by a person fully competent and holding a charter from the Supreme Legislature of the country for the purpose.***



MCA issued amendments to Schedule III to the Companies Act, 2013

The MCA through a notification dated **24 March 2021** has issued certain amendments to Schedule III to the 2013 Act. Key Amendments are divided into three divisions:

DIVISION I

For companies whose financial statements are required to comply with Companies (**Accounting Standards**) Rules, 2006

DIVISION II

For companies whose financial statements are required to comply with Companies (**Indian Accounting Standards**) Rules, 2015

DIVISION III

For **NBFCs** whose financial statements are required to comply with Companies (**Indian Accounting Standards**) Rules, 2015

5



APPLICABILITY

**For Financial years beginning on
or after 1st April 2021**

- **Dry run for FY 20-21** : Super important as comparatives have to be given next year and many amendments will be tough for many companies
- **ICAI – GN on Sch III** : need to wait for clarity on how some terms will be read



Companies (Auditor's Report) Order, 2020

Notified on 25th February, 2020

BRIDGING the EXPECTATION GAP

**MCA counts on Auditors for
enhanced Governance and early Red flags**



Ministry of Corporate Affairs

Government of India

EMPOWERING BUSINESS, PROTECTING INVESTORS

REGULATOR • INTEGRATOR • FACILITATOR • EDUCATOR

WHAT?

WHY?

	Number of clauses
Retained Clauses	7
Retained – with Changes	7
Deleted Clauses	1
Newly Introduced	5
Re-Introduced (2003)	2
CARO 2020	21
Sub Clauses	47

7 (Retained) +
7 (Modified)

7 Newly Added

- Changing needs of the business and ensure better compliance and governance.
- **Less Government and More Governance**
- **More trust on Auditors by Government for better Governance**
- **Powerful tool for Auditors to express opinion**

Summary of Changes

Newly Added (Clauses) (7)	Modified (Clauses) (7)	Retained (Clauses) (7)	Deleted (clause)
Transaction Not recorded in Books	Fixed assets	Acceptance of deposits	Managerial Remuneration
Ability of Company to meet its Liabilities	Inventory	Maintenance of cost records	
CSR - Transfer of Unspent Amount to Fund	Repayment of Loans granted by company	Loans ,Investments, securities & guarantee's - Sec 185 & 186	
Statutory Auditor Resignation	Default in repayment of dues	Application of funds raised	
CFS : reference to negative remarks in Subsidiary CARO	Reporting of frauds	Related Party Transactions	
Internal Audit System (CARO 2003)	Nidhi Company	Non-Cash Transactions	
Cash Loss (CARO 2003)	Registration with RBI	Payment of statutory dues	

Clauses & Sub Clauses increased in CARO 2020

Clause No.	No. of Sub-Clauses	Clause No.	No. of Sub-Clauses
(i)	5	(xii)	3
(ii)	2	(xiii)	1
(iii)	6	(xiv)	2
(iv)	1	(xv)	1
(v)	1	(xvi)	4
(vi)	1	(xvii)	1
(vii)	2	(xviii)	1
(viii)	1	(xix)	1
(ix)	6	(xx)	2
(x)	2	(xxi)	1
(xi)	3		
Total Clauses (21)		Total Sub Clauses (47)	

Amendments in Schedule III of The Companies Act, 2013

(Issued on 24th March, 2021)



Summary

A. Enhanced Disclosure for more oversight on Governance

- 1. Promoter shareholding**
- 2. MSME disclosure on face of B/S**
- 3. Registration and satisfaction of charges**
- 4. More than 2 layers of subsidiaries**
- 5. Compliance with Scheme of Arrangement**
- 6. Working capital reconciliation : Statements filed with banks reconciled with Books of account**
- 7. Revaluation – impact beyond 10%**
- 8. Revaluation by Registered Valuer**

Summary

B. Financial Discipline/ Solvency

1. Ratios
2. Ageing of Trade receivables (for Ind AS – SICR and Credit impaired)
3. Ageing of Trade payables
4. CWIP Ageing
5. CWIP – time and cost overrun
6. Transactions not recorded in books; undisclosed income...
7. CSR spend

Summary

C. Money laundering : early signals

1. Dealing with Struck off companies
2. Benami transactions
3. Immovable property not held in company name
4. Wilful Defaulter declaration
5. Loans Given/ Loans received for transfer to other entities
6. End use of borrowed funds
7. Loans and Advances to Promoters/ Directors/ relatives
8. Dealings in Crypto currency/ crypto assets

Summary

D. Minor changes/ edits

1. Rounding off – Total Income vs Turnover
2. Replace Total Revenue by Total Income
3. Grants/ Donations for Section 8 companies as Operating income
4. Security Deposit- shift from L& A to Other Non Current Assets
5. Tangible Assets replaced by PPE & IA
6. Lease liabilities presentation for Ind AS Entities
7. SOCIE – revised for Ind AS entities
8. NBFC – disclosure of CRAR and other ratios

Applicable for Division I - Entities

(Companies following CAS Rules, 2006)

ROUNDING OFF

Applicability of Round off

For the purpose of rounding off the figures appearing in the Financial Statements, **the total income of the Company shall be considered as the basis instead of turnover** of the company.

Total Income	Rounding Off
Less than 100 Crore Rupees	To the nearest hundreds, thousands, lakhs or millions or decimals thereof
100 Crore Rupees or more	To the nearest lakhs, millions or crores, or decimals thereof

Difference between Turnover and Total Income

Turnover:

As per Sec 2(91) of the Companies (Amendment) Act, 2017, "turnover" means the **gross amount of revenue** recognised in the profit and loss account **from the sale, supply, or distribution of goods or on account of services rendered, or both**, by a company during a financial year;

Total Income:

a. Revenue from Operations	XXX
b. Other Income	XXX
Total Income	XXX (Amendment)

PROMOTER SHAREHOLDING

Note on Share Capital

The note on Share Capital in the Financial Statements shall **mention details of the Shareholding of the Promoters along with changes, if any, during the Financial Year.**

Similar disclosure is already there for Listed companies (LODR)



Shares held by promoters at the end of the year				% Change during the year**
S. No.	Promoter name	No. of Shares*	% of total shares**	
Total				

*Details shall be given separately for each class of shares

**percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.

AGEING

Trade Payables ageing schedule

The note on Trade Payables due for payment by the company shall consist of an ageing schedule with a head “FB. Trade payables **due for payment**”

Trade Payables ageing schedule

(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment#				Total
	Less than 1 Year	1-2 years	2-3 years	More than 3 years	
(i) MSME					
(ii) Others					
(iii) Disputed dues – MSME					
(iv) Disputed dues – Others					

#similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately;

Impact of Amendment on Trade Payables

- This disclosure has a material impact specifically on the pending/prospective litigations under Section 9 of the **Insolvency and Bankruptcy Code, 2016**.
- In case any operational creditor of the Company files an application under Section 9 of the IBC to initiate CIRP (Corporate Insolvency Resolution Process) upon the Company and the Company submits before the Hon'ble Adjudicating Authority that the debt of the Creditor was in dispute, the Financial Statements of the Company as available in the public domain will be scrutinized first to ensure that such debt is classified as a disputed trade payable in the notes to accounts of the Financial Statements of the Company.
- This disclosure also requires to mention the time period for which such debt is due which shall also help assess the point of Limitation in accordance with the provisions of the Limitation Act, 1963 for such proceeding under the Insolvency and Bankruptcy Code, 2016.

Trade Receivables ageing schedule

The note on Long-Term Trade Receivables in Other non-current assets due for payment to the Company shall consist of an ageing schedule as follows:



(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment#					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good						
(ii) Undisputed Trade Receivables – considered doubtful						
(iii) Disputed Trade Receivables considered good						
(iv) Disputed Trade Receivables considered doubtful						

#similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately.

PPE & IA

CARO Clause on Fixed assets (i)

New*

(d) whether the company has **revalued** its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year and, if so, whether the revaluation is based on the **valuation by a Registered Valuer**; specify the amount of change, if **change is 10% or more in the aggregate** of the net carrying value of each class of Property, Plant and Equipment or intangible assets;

Focus Areas

- Ascertain company policy of carrying assets at Cost model or Revaluation model
- Where revalued, check report and that it is from Registered Valuer

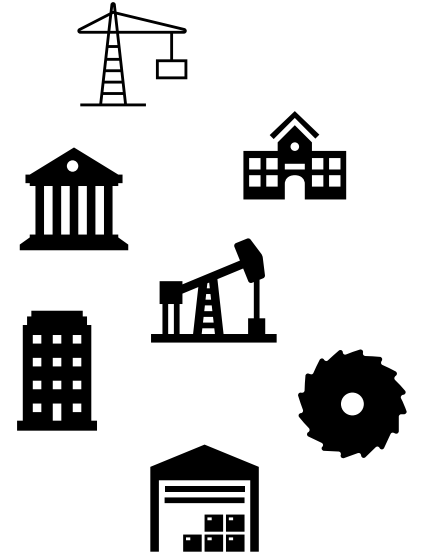
Replacement for Tangible Assets

For the words “Tangible Assets”, the words “Property, Plant and Equipment” shall be substituted under the heading “I. Tangible Assets”.

Amount of Change due to Revaluation

The **note on Property, Plant and Equipment** (earlier Tangible Assets) shall additionally **disclose the amount of change due to revaluation (if the change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment)**.

Also, the **note on Intangible Assets** also shall additionally **disclose the amount of change due to revaluation (if the change is 10% or more in aggregate of the net carrying value of each class of intangible assets)**.



What is Net Carrying Value of each class?

It is the Book Value at the end of the year of the assets in such class of PPE/ IA after considering depreciation and giving effect of Revaluation.

Impact of Amendment:

Previously, a reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses/reversals used to be disclosed separately.

After the amendment, such detailed note is also required if the Net Carrying Value of each Class of PPE changes beyond 10% due to revaluation.

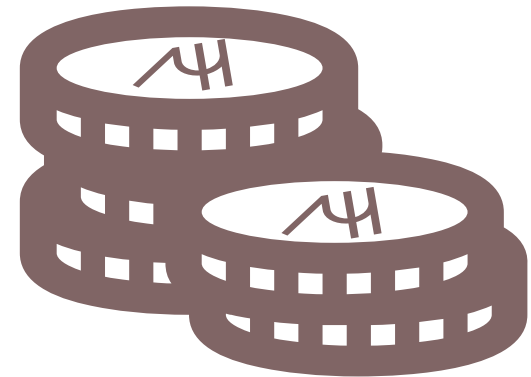
PRESENTATION ALIGNMENT

Current Maturities of Long term borrowings

In Notes to Financial Statements, under the heading “F. Short-term borrowings”, after item (iv) and the entries relating thereto, the following shall be inserted, namely:

“(v) Current Maturities of Long Term Borrowings” shall be disclosed separately.

Impact of Amendment: Instead of mentioning the Current Maturities under “G. Other Current Liabilities”, hereafter it is going to be disclosed as part of “F. Short Term Borrowings”



Current Maturities of Long term borrowings

Presentation in FS as per the Amendment

F. Short-term borrowings

(i) Short-term borrowings shall be classified as:

(a) Loans repayable on demand

(A) from banks

(B) from other parties

(b) Loans and advances from related parties

(c) Deposits

(d) Other loans and advances (specify nature)

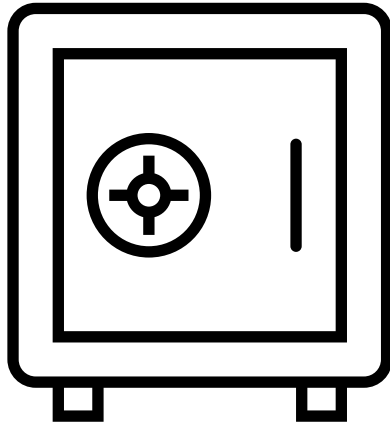
(ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case

(iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed

(iv) Period and amount of default as on the balance sheet date in repayment of loans and interest, shall be specified separately in each case

(v) Current Maturities of Long Term Borrowings

Security Deposits



Security Deposits shall be omitted from “L. Long-term loans and advances” and inserted Under the heading “M. Other non-current assets”

Additional Regulatory Information

PPE & IA

CARO Clause on Fixed assets (i)

(a) (A) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment;

New* (B) whether the company is maintaining proper records showing full particulars of intangible assets;

(b) whether these Property, Plant and Equipment have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account;

New* (c) whether the title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the company, if not, provide the details thereof in **the format below (format provided)**

Focus Areas

- Additional Reporting on Intangibles assets as well
- Additional details to be reported in case property not held in the name of Company (period, in the name of RP, etc.)
- Revaluation - Verify basis and report if change more than 10%
- Verify the valuation from Registered Valuer was used by Company – else, report.

(i) Title Deed of Immovable Property not held in name of the Company

The company shall provide the details of:

- all the immovable property (**other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee**)
- **whose title deeds are not held in the name of the company** in format given here and
- where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative# of promoter*/director or employee of promoter/director	Property held since which date	Reason for not being held in the name of the company* *
PPE- Investment property -PPE retired from active use and held for disposal -Others	Land Building Land Building Land Building	-	-	-	-	**also indicate if in dispute

#Relative here means relative as defined in the Companies Act, 2013.

*Promoter here means promoter as defined in the Companies Act, 2013.

- (ii) Where the Company has revalued its Property, Plant and Equipment, the company shall **disclose as to whether the revaluation is based on the valuation by a registered valuer** as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.
- (iii) Following disclosures shall be made where **Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties** (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are:
- (a) repayable on demand or
 - (b) without specifying any terms or period of repayment

Type of Borrower	Amount of loan or advance in the nature of loan Outstanding	Percentage to the total Loans and Advances in the nature of loans
Promoters		
Directors		
KMPs		
Related Parties		

(iv) Capital-Work-in Progress (CWIP)

(b) For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following **CWIP completion schedule** shall be given:

(Amount in Rs.)

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

Note: Details of projects where activity has been suspended shall be given separately.

(iv) Capital-Work-in Progress (CWIP)

(b) For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following **CWIP completion schedule** shall be given:

(Amount in Rs.)

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

Note: Details of projects where activity has been suspended shall be given separately.

(v) Intangible assets under development:

(a) For Intangible assets under development, following ageing schedule shall be given:

(Amount in Rs.)

Intangible assets under development	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

* Total shall tally with the amount of Intangible assets under development in the balance sheet.

(v) Intangible assets under development:

(b) For Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following **Intangible assets under development completion schedule** shall be given:

(Amount in Rs.)

Intangible assets under development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				



Note: Details of projects where activity has been suspended shall be given separately.

BENAMI TXNS

New*

CARO : Clause on Fixed assets (i)

(e) whether any **proceedings** have been initiated or are pending against the company for holding any benami property under the **Benami Transactions (Prohibition) Act, 1988 (45 of 1988)** and rules made thereunder, if so, whether the company has appropriately disclosed the details in its financial statements;

Focus Areas

- Enquire on proceedings/filing against the Company – relating to property under Benami – Report in case of any instance identified
- MRL specifically mentioning that all proceedings/filings against the Company – that is in the knowledge of the Company w.r.t. Benami property have been shared

(vi) Details of Benami Property held

Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder, the company shall disclose the following:-

- (a) Details of such property, including year of acquisition,
- (b) Amount thereof,
- (c) Details of Beneficiaries,
- (d) If property is in the books, then reference to the item in the Balance Sheet,
- (e) If property is not in the books, then the fact shall be stated with reasons,
- (f) Where there are proceedings against the company under this law as a better of the transaction or as the transferor then the details shall be provided,
- (g) Nature of proceedings, status of same and company's view on same.



WORKING CAPITAL

CARO : Clause on Inventory (ii)

New*

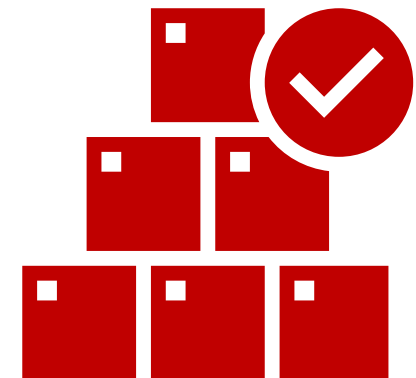
(b) whether during any point of time of the year, the company has been sanctioned working capital limits in **excess of five crore rupees**, in aggregate, from banks or financial institutions on the basis of security of current assets; whether the **quarterly returns or statements filed** by the company with such banks or financial institutions are in **agreement with the books of account** of the Company, if not, give details;

Focus Areas

- Review quarterly returns / documents filed with Banks/FI – report if discrepancies noted with books: encouraged to prepare Quarterly FS, get the same reviewed by auditors quarterly.
- Develop a reconciliation system with good internal controls every time statements are filed with banks.

(vii) Where the company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:

- (a) Whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts.
- (b) If not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.



WILFUL DEFAULTER & END USE OF FUNDS

CARO: Clause on Default in repayment of dues (ix)

(a) whether the company has defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender, if yes, the period and the amount of default to be reported as per the format below:- (table specified).

New*

(b) Whether the company is a declared **wilful defaulter** by any bank or financial institution or other lender?

(c) Whether term loans were applied for the purpose for which the loans were obtained; if not, the amount of loan so diverted and the purpose for which it is used may be reported. **(Reintroduced)**

(d) whether funds raised on short term basis have been utilised for long term purposes? If yes, the nature and amount to be indicated. **(Reintroduced)**

Focus Areas

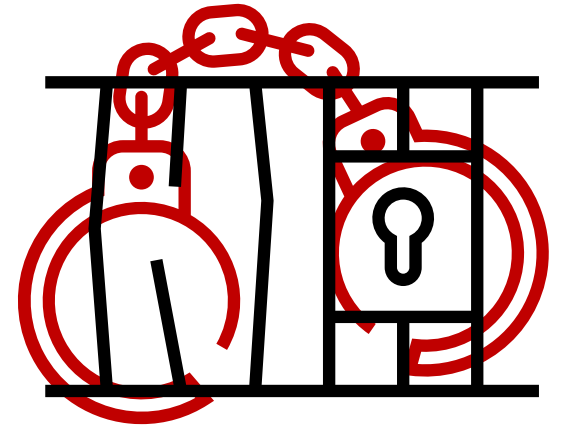
- Obtain schedule of repayments
- Check repayments are in accordance with the terms and conditions of the agreement.
- Obtain balances confirmation.
- In case of dispute between company and lender , the auditor may give a brief nature of the dispute while reporting.

(viii) Wilful Defaulter

Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, following details shall be given:

- (a) Date of declaration as wilful defaulter
- (b) Details of defaults (amount and nature of defaults)

“Wilful Defaulter” here means a person or an issuer who or which is **categorized as a wilful defaulter by any bank or financial institution** (as defined under the Act) or consortium thereof, in accordance with **the guidelines on wilful defaulters issued by the Reserve Bank of India.**



Borrowings from banks and Financial Institutions

Disclosure on utilization of borrowings:

Where the Company has not used the borrowings from banks and financial institutions for the purpose for which it was taken at the Balance Sheet date, the Company shall disclose the details of where they have been used.



SOLVENCY

CARO : Clause on capability of meeting its liabilities (xix)

On the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, whether the auditor is of the opinion that **no material uncertainty exists** as on the **date of the audit report** that **company is capable of meeting its liabilities existing at the date of balance sheet** as and when they fall due **within a period of one year** from the balance sheet date;

Written representation from Management on:

- Plan for realization of receivables and other financial assets
- BOD documentation of review of Liability position (payable within one year) and payment Plans
- **Include specifically** that all material events/transactions post balance sheet date but before Report date that could impact the **Paying Capacity** in the knowledge of the Management/Board has been communicated to the Auditor.

Focus Aspects

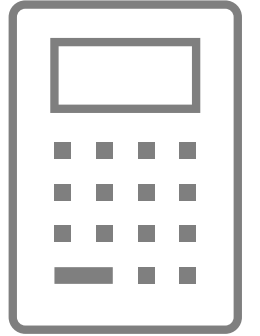
Opinion – On date of Audit Report - the ratios, Mgmt & Board Plan subsequent to the B/S date but before Audit Report – needs to be considered.

For all Liabilities that fall due within a period of One Year from B/S date.

Ex. Receivables evaluation after the Balance sheet date till Audit Report (already included in audit process).

(xii) Following Ratios to be disclosed in Notes to Accounts:

- (a) Current Ratio
- (b) Debt-Equity Ratio
- (c) Debt Service Coverage Ratio
- (d) Return on Equity Ratio
- (e) Inventory turnover Ratio
- (f) Trade Receivables Turnover Ratio
- (g) Trade Payables Turnover Ratio
- (h) Net Capital Turnover Ratio
- (i) Net Profit Ratio
- (j) Return on Capital Employed
- (k) Return on Investment



Note: The company shall explain the items included in numerator and denominator for computing the above ratios. **Explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year.**

INTER CO LOANS

CARO Clause on Default in repayment of dues (ix)

New*

(e) whether the Company has taken any funds from any entity or person on account of or **to meet the obligations of its subsidiaries, associates or joint ventures?** If so, details thereof with nature of such transactions and the amount in each case

New*

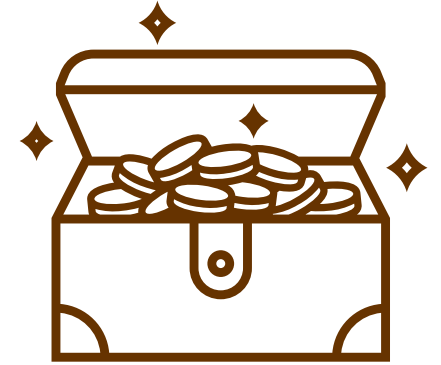
(f) whether the company has raised **loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies,** if so, give details thereof and also report if the company has defaulted in repayment of such loans raised;

Focus Areas

- Obtain details of all funds received
- Check details of all payments made to subsidiaries, Associates or JV in the period – and the reason
- Report if the funds taken vs paid to subsidiaries, etc. are mapped.
- Obtain details of fund raised by way of pledge – report if the same is by way of shares of subsidiaries, JV, etc.

(xiv) Details in respect of Utilization of Borrowed funds and share premium shall be provided in respect of

- a. Transactions where an entity has provided any advance, loan, or invested funds to any other person (s) or entity/entities, including foreign entities
- b. Transactions where an entity has received any fund from any person (s) or entity/entities, including foreign entity



**SPVs to develop
good governance
process**

Loan given

- (A) Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall
- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
 - (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;

The company shall disclose the following:-

- (i) date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.
- (ii) date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries along with complete details of the ultimate beneficiaries.
- (iii) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries
- (iv) declaration that relevant provisions of FEMA and Companies Act has been complied with for such transactions and the transactions are not violative of the PMLA

Loan received

- B)** Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall
- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
 - (ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries,

The company shall disclose the following:-

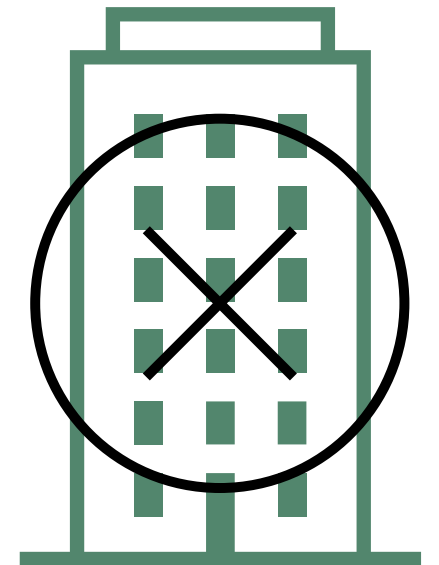
- (I) date and amount of fund received from Funding parties with complete details of each Funding party.
- (II) date and amount of fund further advanced or loaned or invested other intermediaries or Ultimate Beneficiaries alongwith complete details of the other intermediaries' or ultimate beneficiaries.
- (III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries
- (IV) declaration that relevant provisions of the FEMA and Companies Act has been complied with for such transactions and the transactions are not violative of the PMLA

OTHERS COMPANIES ACT COMPLIANCE

(ix) Relationship with Struck off Companies

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details:

Name of struck off Company	Nature of transactions with struck-off Company	Balance outstanding	Relationship with the Struck off company, if any, to be disclosed
	Investments in securities		
	Receivables		
	Payables		
	Shares held by struck off Company		
	Other outstanding balances (to be specified)		



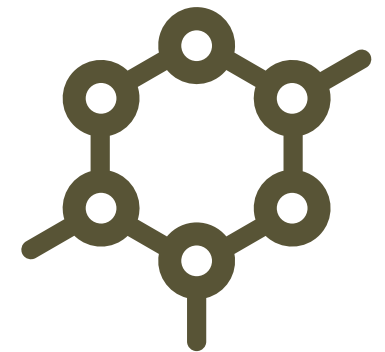
(x) Registration of charges or satisfaction with Registrar of Companies

Where any charges or satisfaction is yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.



(xi) Compliance with number of layers of companies

Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship/extent of holding of the company in such downstream companies shall be disclosed.



(xiii) Compliance with approved Scheme(s) of Arrangements

Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 **(Corporate Restructuring)** of the Companies Act, 2013, the Company shall disclose that

- a. the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company 'in accordance with the Scheme' and
- b. in accordance with accounting standards and
- c. deviation in this regard shall be explained



TOTAL INCOME

Under the heading “III. **Total Revenue** (I +II)”, for the word “Revenue”, the word “**Income**” shall be substituted;

Hereafter it shall be called as “**Total Income**”

Under the heading “General Instructions for Preparation of Statement of Profit and Loss”,

-in paragraph 2, in item (A), after sub-item (b), the following shall be inserted, namely:-

“(ba) **Grants or donations received (relevant in case of section 8 companies only)**”



UNRECORDED INCOME

CARO :Clause on Unrecorded Income (viii)

Whether any transactions not recorded in the books of account have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961), if so, whether the **previously unrecorded income** has been properly **recorded in the books** of account **during the year**;

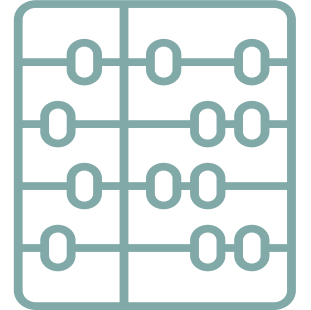
Focus Aspects

Reconciliation with the Financial Statements – current as well as previous periods (in recorded in current year).

Review of Tax Assessments

In “Additional Information” under General Instructions for Preparation of Statement of Profit and Loss,

(ix) Undisclosed income shall be included after item (viii)



The Company shall give details of any transaction not recorded in the books of accounts:

- a. that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961,
- b. unless there is immunity for disclosure under any scheme and
- c. also shall state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year

CSR

CARO : Clause on transfer of CSR unspent amount to fund (xx)

- (a) whether, in respect of **other than ongoing projects**, the company has transferred unspent amount to a Fund specified in Schedule VII to the Companies Act, **within a period of six months** of the expiry of the financial year in compliance with second proviso to sub-section (5) of section 135 of the said Act;
- (b) whether any amount remaining unspent under sub-section (5) of section 135 of the Companies Act, pursuant to **any ongoing project**, has been **transferred to special account** in compliance with the provision of sub-section (6) of section 135 of the said Act,;

Focus Aspects

- Applicable to Companies for which CSR provisions apply
- Review of Board Report - to identify reasons
- Review of Unspent Corporate Social Responsibility Account (on going Project) – If transferred
- Verify Compliance - report non-compliance w.r.t. transfer of unspent amount – (Ongoing Projects & Otherwise)

(x) Corporate Social Responsibility (CSR)

Where the company covered under section 135 of the companies act, the following shall be disclosed with regard to CSR activities:-

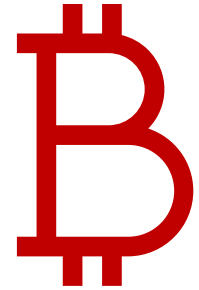
- a. Amount required to be spent by the company during the year
- b. Amount of expenditure incurred
- c. Shortfall at the end of the year
- d. Total of previous years shortfall
- e. Reason for shortfall
- f. Nature of CSR activities
- g. Details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard
- h. Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately

CRYPTO CURRENCY

(xi) Details of Crypto Currency or Virtual Currency

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed:

- a. Profit or loss on transactions involving Crypto currency or Virtual Currency
- b. Amount of currency held as at the reporting date
- c. Deposits or advances from any person for the purpose of trading or investing in Crypto Currency/ virtual currency



**Amendments (incremental) applicable for
Division II Entities
(Companies following Ind AS)**

Part I- Balance Sheet

A. Under the heading “Equity and Liabilities”
in sub-heading “Liabilities”,-

(I) in item “(1) **Non-current liabilities**”,

in sub-item “(a) **Financial Liabilities**”,

after (i), the following shall be inserted, namely:-

“(ia) **Lease liabilities**”

(II) in item “(2) **Current Liabilities**”,

in sub-item “(a) **Financial Liabilities**”,

after (i), the following shall be inserted, namely:-

“(ia) **Lease liabilities**”



Statement of Changes in Equity

A - Equity Share Capital (For both Current and Previous Reporting Periods)

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period

New Insertion in Amendment

Trade Receivables ageing schedule

Particulars	Outstanding for following periods from due date of payment#					Total
	Less than 6 months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables-considered good						
(ii) Undisputed Trade receivables-which have significant increase in credit risk						
(iii) Undisputed Trade Receivables – credit impaired						
(iv) Disputed Trade Receivables–considered good						
(v) Disputed Trade Receivables – which have significant increase in credit risk						
(vi) Disputed Trade Receivables – credit Impaired						



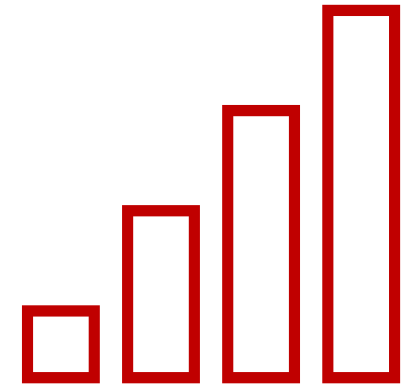
similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction. Unbilled dues shall be disclosed separately”;

**Amendments (incremental) applicable for
Division III Entities
(NBFCs following Ind AS)**

Under Note WB of Additional Regulatory Information

The following ratios are to be disclosed by NBFCs

- (a) Capital to risk-weighted assets ratio (CRAR)
- (b) Tier I CRAR
- (c) Tier II CRAR
- (d) Liquidity Coverage Ratio





*“No profession can aspire to progress unless it has a vision and sets **service to the community** as its objective.*

*It has also to be free from restraints and allow for the **economic advancement** of its entire membership. Its resilience and practice to respond to the changing situation and growing demands on it will determine its continued existence and growth.*

***Technical excellence** in the performance of its functions and **observance of the highest in professional ethics** constitutes the **foundation** on which its future can be built up”*



My take on winds of change ?

- Data is connected from the source to the ledger via cloud-based applications. Accounting is morphing into what economists call "interaction jobs", where **technical knowledge is assumed and higher value is applied to a person's ability to interact with internal and external clients, identify problems, come up with alternative solutions, determine which are affordable at this point in time and communicate and influence to deliver an outcome.**
- The successful accountants of the future will **be strong communicators, possess greater IT skills combined with strategic vision and they will be devoted to ongoing professional development.** Globalisation is the future of accounting as more and more businesses require real-time manufacturing and information, mobile marketing and online tools, including the cloud, to expand their customer base internationally. Thus accounting, auditing and finance professionals with knowledge of international standards and regulations will thrive.
- ICAI is geared to this reality and 64 overseas chapters/ representative offices of ICAI is a testimony **apart from embracing International accounting and assurance standards.** Indian Chartered Accountants, thanks to the rigorous training and enviable forward looking curriculum, possess right insights and foresight to overcome challenges and make the best use of the opportunities.

**THANK
YOU!**



Content and Design by

CA Ramesh Kumar Mallela

+91 98843 10189

rk@charteredramesh.com

Thank You

reachable at ,mpv@icai.org

Follow ICAI on Social Media -
<http://www.icai.org/followus>



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

ICAI Bhawan, P.B. No. 7100, Indraprastha Marg, New Delhi - 110 002, India
Tel: +91-11- 39893989, Website : www.icai.org



POSITION PAPER ON REGULATION OF ACCOUNTANCY PROFESSION AND OVERSIGHT MECHANISM IN INDIA



Position Paper on Regulation of Accountancy Profession and Oversight Mechanism in India



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)