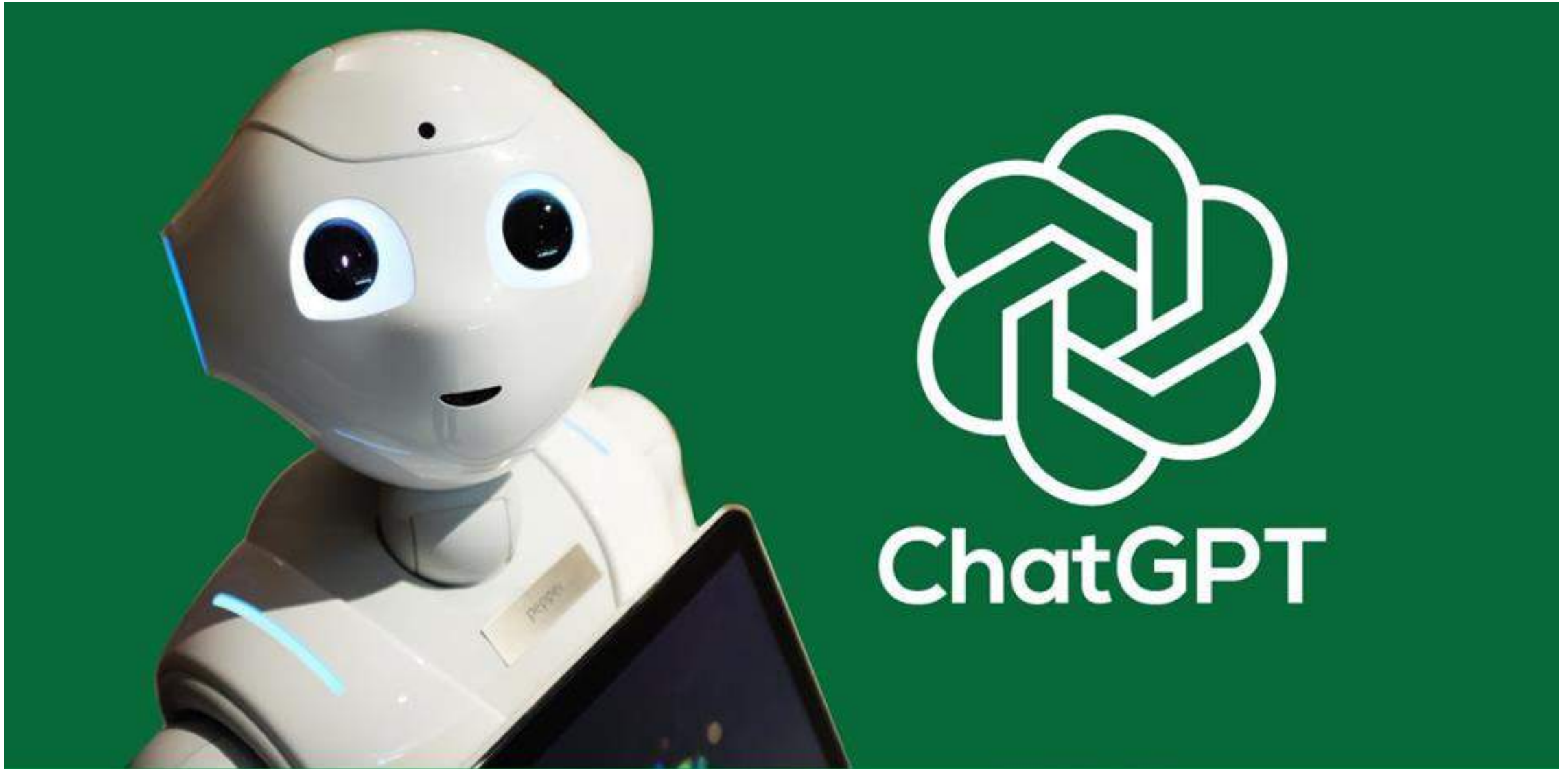


Schedule - III & relevant updates

CA Sandeep Shah
National Conference on Company Law
April 21st, 2023



QUERY: RECENT UPDATES ON AMENDMENT TO SCH III

- As an AI language model, I don't have access to real-time updates or news. However, I can provide you with the latest information available as of my knowledge cutoff date of September 2021.



WELCOME TO

NATIONAL CONFERENCE
ON
COMPANY LAW

ENHANCED RESPONSIBILITY: COMPANY AUDITOR



Extensive Disclosures



Enhanced Auditor reporting



Comparative for all disclosures



Updated IT Infrastructure



Robust systems & processes

STAKEHOLDER CONFIDENCE



Transparency



Stakeholder Satisfaction



Accountability



Investor Confidence



Early warning signs



SCHEDULE III AMENDMENTS

Guidance note issued by ICAI

Separate GN for Ind AS & Non Ind AS companies

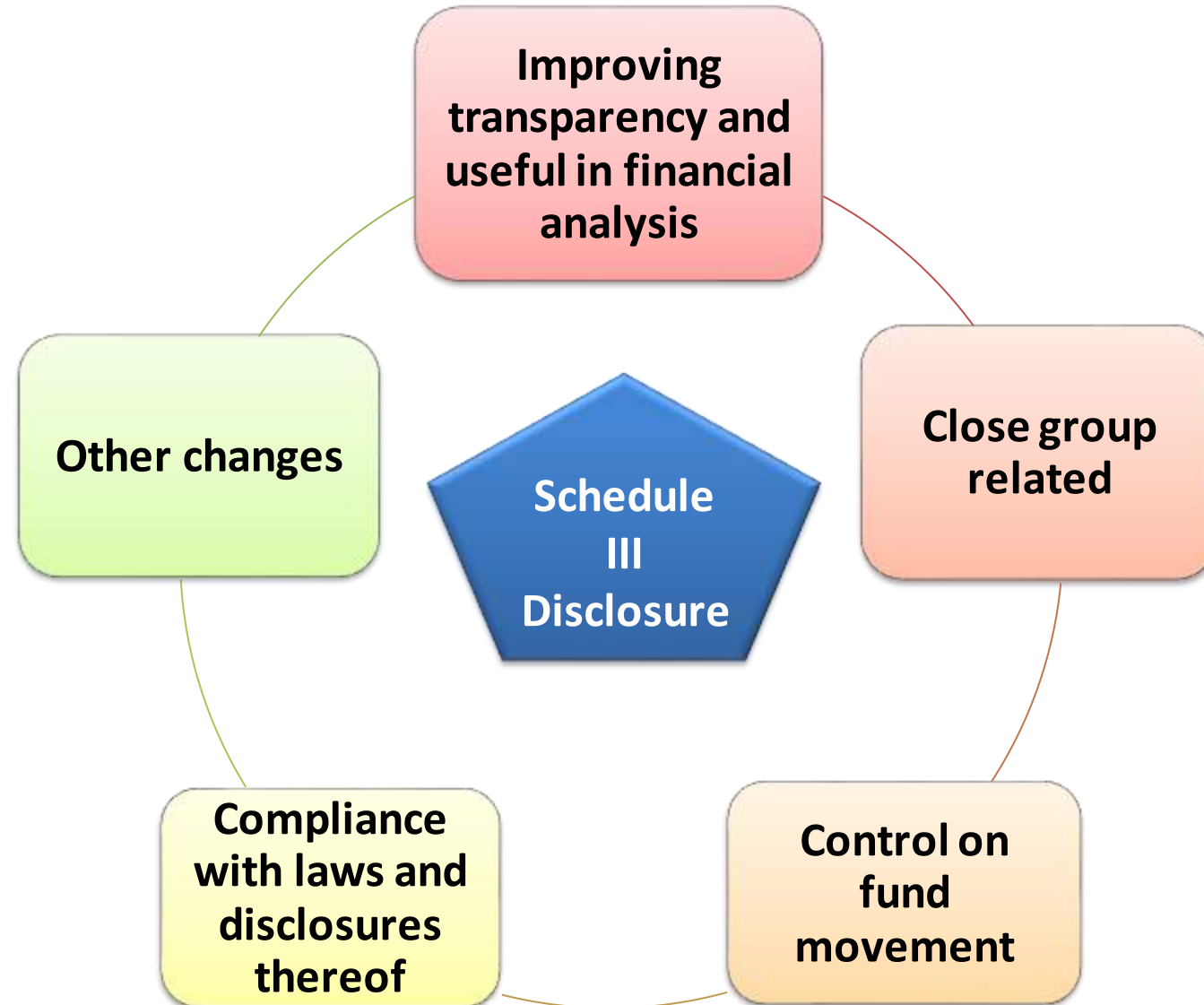
Illustrative disclosure formats for disclosure of various items have been prescribed
(e.g. ageing of trade receivable, trade payable, capital work in progress)

Guidance given as regards various terms used e.g. project, disputed payable / receivable, intermediaries, etc.

Formula for computation of ratio has been prescribed

Clarity provided as regards what items need disclosure at consolidated level also and principles to be followed

SCHEDULE III AMENDMENTS



IMPROVING TRANSPARENCY AND USEFUL IN FINANCIAL ANALYSIS

Trade payables ageing

Trade receivables ageing

CWIP and intangible assets under development ageing

Title deeds of immovable properties not held in the name of the company

Revaluation / fair value

Financial ratios

The applicability of additional disclosures at Consolidated financial statement (CFS) level

Schedule III Requirement	SFS	CFS	CFS, if material
Disclosure of Shareholding of Promoters	✓	✓	⊘
Trade Payables ageing schedule	✓	✓	⊘
Trade Receivables ageing schedule	✓	✓	⊘
Revaluation of Property, Plant and Equipment	✓	✓	⊘
Loans or Advances - additional disclosures	✓	✓	⊘

The applicability of additional disclosures at Consolidated financial statement (CFS) level

Schedule III Requirement	SFS	CFS	CFS, if material
Details of Benami Property held	✓	✓	⊘
Wilful Defaulter	✓	✓	⊘
Relationship with Struck off Companies	✓	✓	⊘
Compliance with number of layers of companies	✓	✓	⊘
Disclosure pertaining to 'undisclosed income'	✓	✓	⊘

The applicability of additional disclosures at Consolidated Financial Statement (CFS) level

Schedule III Requirement	SFS	CFS	CFS, if material
Capital work-in-progress (CWIP) ageing schedule / completion schedule	✓	⊘	✓
Intangible assets under development ageing schedule / completion schedule	✓	⊘	✓
Security of current assets against borrowings	✓	⊘	✓
Compliance with approved Scheme(s) of Arrangements	✓	⊘	✓

The applicability of additional disclosures at Consolidated Financial Statement (CFS) level

Schedule III Requirement	SFS	CFS	CFS, if material
Utilization of Borrowed funds and share premium	✓	⊘	✓
Disclosure pertaining to 'details of crypto currency or virtual currency'	✓	⊘	✓
Title deeds of Immovable Property not held in the name of the Company	✓	x	x
Registration of charges or satisfaction with Registrar of Companies	✓	x	x
Analytical Ratios	✓	x	x



RECENT
DEVELOPMENTS
-observation of
FRRB/EAC

PREVIOUS YEAR'S FIGURES RESTATED

Under note to the financial statements on Non- Current assets (Net) closing balance of previous year and opening balance of current year were different.

Ind AS 1- para 45

An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless: (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in Ind AS 8; or (b) an Ind AS requires a change in presentation.

FRRB- VOL II-SEPT 22

Accordingly, it was viewed that incorrect balance has been disclosed by the company

How can you comply-restating previous year's figures

- Ind AS 1-para 41

If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period): (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification.

Para 42

When it is impracticable to reclassify comparative amounts, an entity shall disclose: (a) the reason for not reclassifying the amounts, and (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

INCORRECT TERMINOLOGY

'Tangible Assets' being used in financial statements instead of 'Property, Plant and Equipment'

Or

'Total Revenue' instead of 'Total Income'

- Ind AS 1- para 54
 - The balance sheet shall include line items that present the following amounts:
 - Property, Plant and Equipment
- Format of Balance Sheet as per Schedule III

FRRB- VOL II- SEPT 2022

- Such mistakes should be avoided by the preparers of the financial statements

GOODWILL

'Goodwill' being included in the Notes containing disclosure of 'Property, Plant and Equipment'

'Goodwill' should be presented as a separate line item on the face of the Balance sheet apart from 'Other Intangible Assets'

FRRB- VOL II- SEPT 2022

Requirement of Division II of Schedule III of Companies Act, 2013 not complied with

INTANGIBLES & INTANGIBLES UNDER DEVELOPMENT

In Financial Statements following two were disclosed (in below mentioned sequence):

'Intangible Assets under development'

'Intangible Assets'

In another instance

Intangible Assets under development was classified alongwith table of 'Property Plant and Equipment'

INTANGIBLES & INTANGIBLES UNDER DEVELOPMENT

	Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
	1	2	3	4
	Assets			
(1)	Non-current assets			
	(a) Property, Plant and Equipment			
	(b) Capital work-in-progress			
	(c) Investment Property			
	(d) Goodwill			
	(e) Other Intangible assets			
	(f) Intangible assets under development			

INTANGIBLES & INTANGIBLES UNDER DEVELOPMENT-cont

8.1.5. Other Intangible assets

The company shall disclose the following in the Notes to Accounts:

(i) Classification shall be given as:

(a) Brands / trademarks;

(b) Computer software;

(c) Mastheads and publishing titles;

(d) Mining rights;

(e) Copyrights, patents, other intellectual property rights, services and operating rights;

(f) Recipes, formulae, models, designs and prototypes;

(g) Licenses and franchise;

(h) Others (specify nature)

FRRB- VOL II- SEPT 2022

- The order of presentation was not in order as per prescribed format
- Since nature of Intangibles has not been disclosed, it was non-compliance with requirement of Schedule III
- Including Intangible Assets under Development alongwith table of 'Property, Plant and Equipment' is non-compliance with requirement of Schedule III

LOANS TO RELATED PARTY

Note x- Current Financial Assets

The following disclosure was made

Particulars	As at March 31, 20XX	As at March 31, 20YY
Current Loans to related parties (refer note 24)	---	---
Total	---	---

- 8.1.10. Non-current Loans
- (i) Loans shall be classified as:
 - (a) ..
 - (b) Loans to related parties (giving details thereof);
 - (c) Other loans (specify nature).

- (ii) The above shall also be separately sub-classified as:
 - (a) Loans Receivables considered good – Secured;
 - (b) Loans Receivables considered good – Unsecured;
 - (c) Loans Receivables which have significant increase in credit risk and
 - (d) Loans Receivables – credit impaired.

FRRB- VOL II- SEPT 2022

- The loans to Related Parties was not classified into secured or unsecured or whether it was considered good *{or there was significant increase in credit risk or credit impaired}* (added by me)

INVESTMENT IN SUBSIDIARIES

- Following disclosures were made

Particulars	As at March 31, 20XX	As at March 31, 20YY
ABC Infotech Pvt Ltd	---	XXXX
XYZ Global Services Ltd	XXXX	XXXX
LMN Global Services Ltd	XXXX	XXXX
Total	XXXX	XXXX

- Under Related Parties following disclosure was made

XYZ Global Services Ltd	Wholly Owned Subsidiary
LMN Global Services Ltd	Wholly Owned Subsidiary

INVESTMENT IN SUBSIDIARIES- contd

Ind AS 27- Paragraph 10

- When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either:
 - (a) at cost, or
 - (b) in accordance with Ind AS 109.

The entity shall apply the same accounting for each category of investments.

Xx xx

INVESTMENT IN SUBSIDIARIES- contd

Division II- Schedule III

8.1.8. Non-Current Investments:

(i) Investments shall be classified as:

- (a) Investments in Equity Instruments;
- (b) Investments in Preference Shares;
- (c) Investments in Government or trust securities;
- (d) Investments in debentures or bonds;
- (e) Investments in Mutual Funds;
- (f) Investments in partnership firms; or
- (g) Other investments (specify nature).

Under each classification, details shall be given of names of the bodies corporate that are –

- (i) subsidiaries,
- (ii) associates,
- (iii) joint ventures, or
- (iv) structured entities

INVESTMENT IN SUBSIDIARIES- contd

FRRB- VOL II- SEPT 2022

- Since the company has a choice to measure the investment in subsidiaries either 'at cost' or 'fair value'- non disclosure of the same in Financial statements is non-compliance with Ind AS 27
- Further since the equity investments were not classified as 'investment in subsidiaries', it was non-compliance with Division II of Schedule III

INVESTMENT-POINT TO CONSIDER

- 8.1.8.6. Classification of Investments
- As per Ind AS 107, para 8, the carrying amounts of each investments under the scope of Ind AS 109 shall be disclosed either in the Balance Sheet or in the Notes under the following categories:
 - (a) Measured at amortized cost;
 - (b) Mandatorily measured at FVTPL;
 - (c) Designated at FVTPL;
 - (d) Measured at FVOCI;
 - (e) Designated at FVOCI (e.g., investments in equity instruments).
- Ind AS Schedule III does not specify whether the Investments should first be categorized as above or should be first classified as per the nature (e.g., investment in equity instruments, investment in preference shares, investment in debentures or bonds, etc.). Ind AS Schedule III allows addition or substitution of line items on the face of the Financial Statements in order to comply with the Act or with Ind AS. Accordingly, the companies may disclose Investments by grouping them in the following manner:

SALARY ADVANCE

IF IT IS IN NATURE OF SALARY ADVANCE, IT WILL BE INCORRECT TO CLASSIFY THE SAME UNDER FINANCIAL ASSETS CATEGORY- IT SHOULD BE CLASSIFIED AS OTHER CURRENT ASSETS/ NON CURRENT ASSETS (AS THE CASE MAY BE)

8.1.20. Other current assets (specify nature)

This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories mentioned above.

Other current assets shall be classified as:

(i) Advances other than capital advances:

(1) Advances other than capital advances shall be classified as:

(a) Security Deposits;

(b) Advances to related parties (giving details thereof); (c) Other advances (specify nature).

(2) Advances to directors or other officers of the company or any of them either severally or jointly with any other persons or advances to firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

(ii) Others (specify nature)

Disclosure of changes in inventory of scrap in the statement of profit and loss-Expert Advisory Opinion

Facts:

The Company was disclosing sale of scrap & net movement of opening /closing scrap as 'Other Operating Income'

Question- disclosure of sale of scrap as 'Other Operating Income' or under 'Changes in inventories of finished goods and work in progress'.

Opinion

The Committee is of the opinion that 'change in the inventory of scrap' in the extant case should also be disclosed separately under the classification, 'Changes in inventories of finished goods, work in progress and stock in trade', and not under 'other operational revenue/income' in the Statement of Profit and Loss.

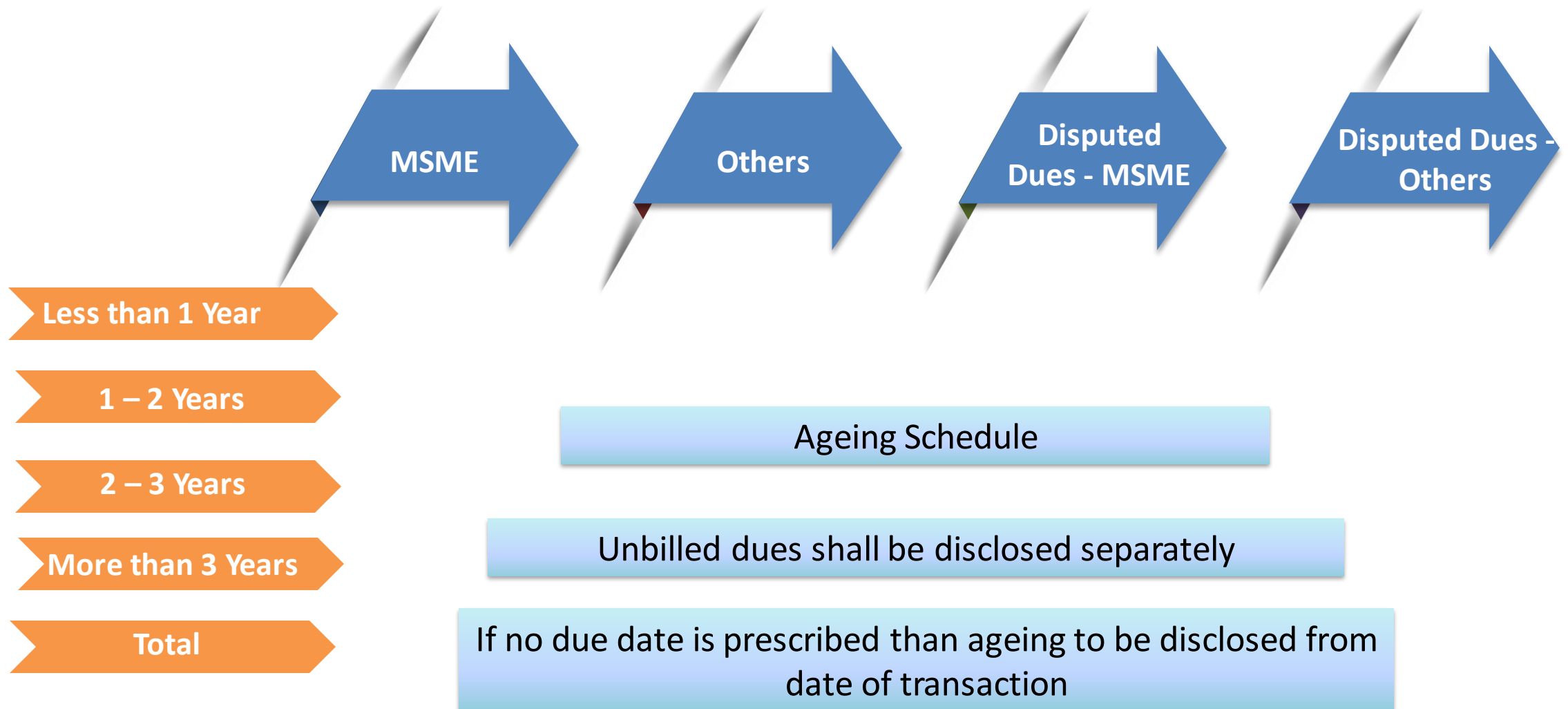
Source: Query No 123

Note: EAC has also observed that 'Schedule III does not use the terminology "Other Operating Income"- it uses the terminology "Other Operating Revenue'



REFRESH

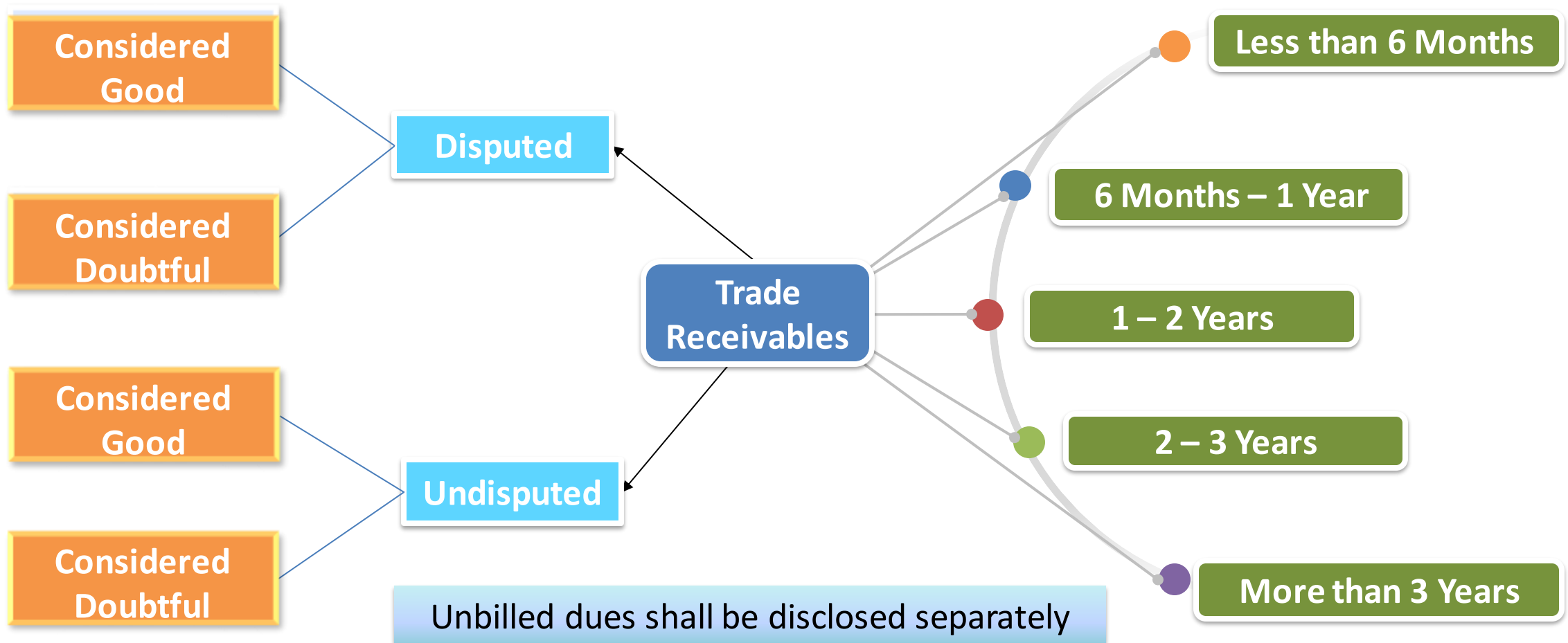
1. TRADE PAYABLES DUE FOR PAYMENT



GN on unbilled payable

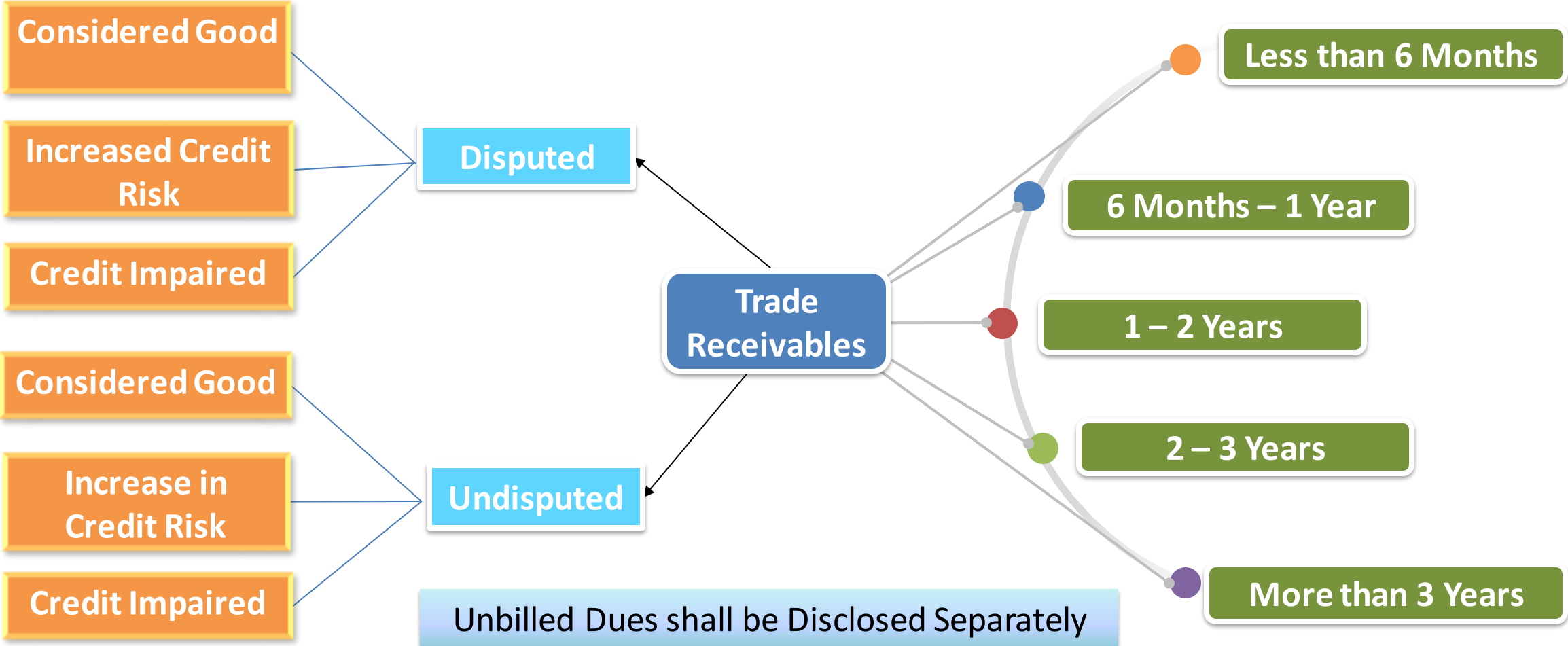
- Unbilled trade payables shall include accruals which are not classified as provisions under Ind AS 37.
- It is clarified that a “provision” shall not be considered as unbilled trade payables

2. TRADE RECEIVABLES - IGAAP



If no due date is prescribed than ageing to be disclosed from date of transaction

2. TRADE RECEIVABLES – IND AS



Unbilled Dues shall be Disclosed Separately

If no due date is prescribed than ageing to disclosed from date of transaction

GN on unbilled dues

- An entity could have an **unconditional right to consideration before it invoices** its customers, in which case it records an unbilled receivable. For example, this could occur if an **entity has satisfied its performance obligations but has not yet issued the invoice**

Dispute as per GN

- Schedule III requires split of trade receivables between 'disputed' and 'undisputed'. These terms have not been defined in the Schedule III. A dispute is a matter of facts and circumstances of the case; however, dispute means **disagreement between two parties demonstrated by some positive evidence** which supports or corroborates the fact of disagreement (Refer the term "Dispute" as defined under the Insolvency and Bankruptcy Code, 2016). In case there are any disputes such fact should also be considered while assessing the credit risk associated with respective party while computing the impairment loss. However, a dispute might not always be an indicator of counterparty's credit risk and vice-versa. Hence, both of these should be evaluated independently for the purpose of making these disclosures.

3. REVALUATION / FAIR VALUE

- Property, Plant & Equipment (PPE)/ Intangible assets



- Basis of Revaluation to be disclosed – Registered valuer or otherwise
- With respect to companies following Ind AS (i.e. division II) – company shall disclose whether fair value of investment property is based on valuation carried out by a registered valuer or not

Corresponding amendment has also been made in CARO, 2020

3. GN on revaluation – Sch III Vs. AS-10

Disclosure of revaluation under Schedule III Vs. AS-10 (Revised 2016)

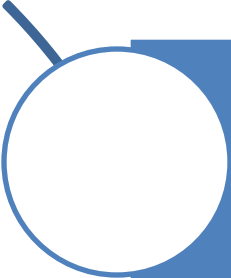
The Schedule III requires separate disclosure of the amount of change due to revaluation, where change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment. In contrast, paragraph 81 of AS 10 (Revised) requires reconciliation of the carrying amount at the beginning and end of the period showing increases or decreases resulting from revaluations, irrespective of the percentage change. **Accordingly, separate presentation of the amount of change due to revaluation should be continued, irrespective of whether such a change is 10% or more**, in order to comply with a broader presentation requirement of AS 10 (Revised) and such presentation needs to be followed consistently.

4. TITLE DEEDS OF IMMOVABLE PROPERTIES NOT HELD IN NAME OF THE COMPANY

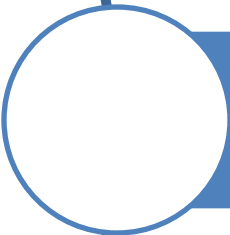
- Relevant line item in the balance sheet
- Description of item of property
- Gross carrying value
- Title deed holder along with relationship (promoter, director, relative of promoter /director, employee)
- Date since which the property is held
- Reason for not being held in the name of the company
- Dispute, if any

For joint holding of such property, disclosure shall be made to the extent of the company's share.


4. GN on Title Deed



Where the Company is the lessee of an immovable property and the lease agreements are not duly executed in favour of the lessee then appropriate disclosure has to be provided for such immovable properties.



Where the exact date is not available, it shall disclose the month and year since the property is held



Immovable property items presented as inventory by companies carrying on real estate business will not fall under this disclosure.

5. CAPITAL WORK IN PROGRESS / INTANGIBLES

- Completion schedule not documented /available???
- What if original budget is not available????

In progress

Temporarily suspended

Details to be provided project-wise

Less than 1 Year

1 – 2 Years

2 – 3 Years

More than 3 Years

Ageing Schedule

Completion schedule is overdue

Cost over run as compared to original budget

Details of activity suspended separately to be given

Completion schedule to be provided as per the time buckets provided in the notification

6. FINANCIAL RATIOS

Profitability

Key points / available guidance

GN has prescribed suggested formula

Ensure consistency with ratio disclosed at other places in annual report

Ensure consistency and in case of changes reasons have to be explained

Illustrative format is provided by GN

Method used / formula to be disclosed

GN on illustrative format for the financial ratios

Ratio	Numerator	Denominator	Current Period	Previous Period	% Variance (> 25%)	Reason for variance
Current ratio						
Debt-equity ratio						

CLOSE GROUP RELATED

Disclosure of Promoter's shareholding

Loans or advances granted to Promoters, Directors, KMPs and the related parties

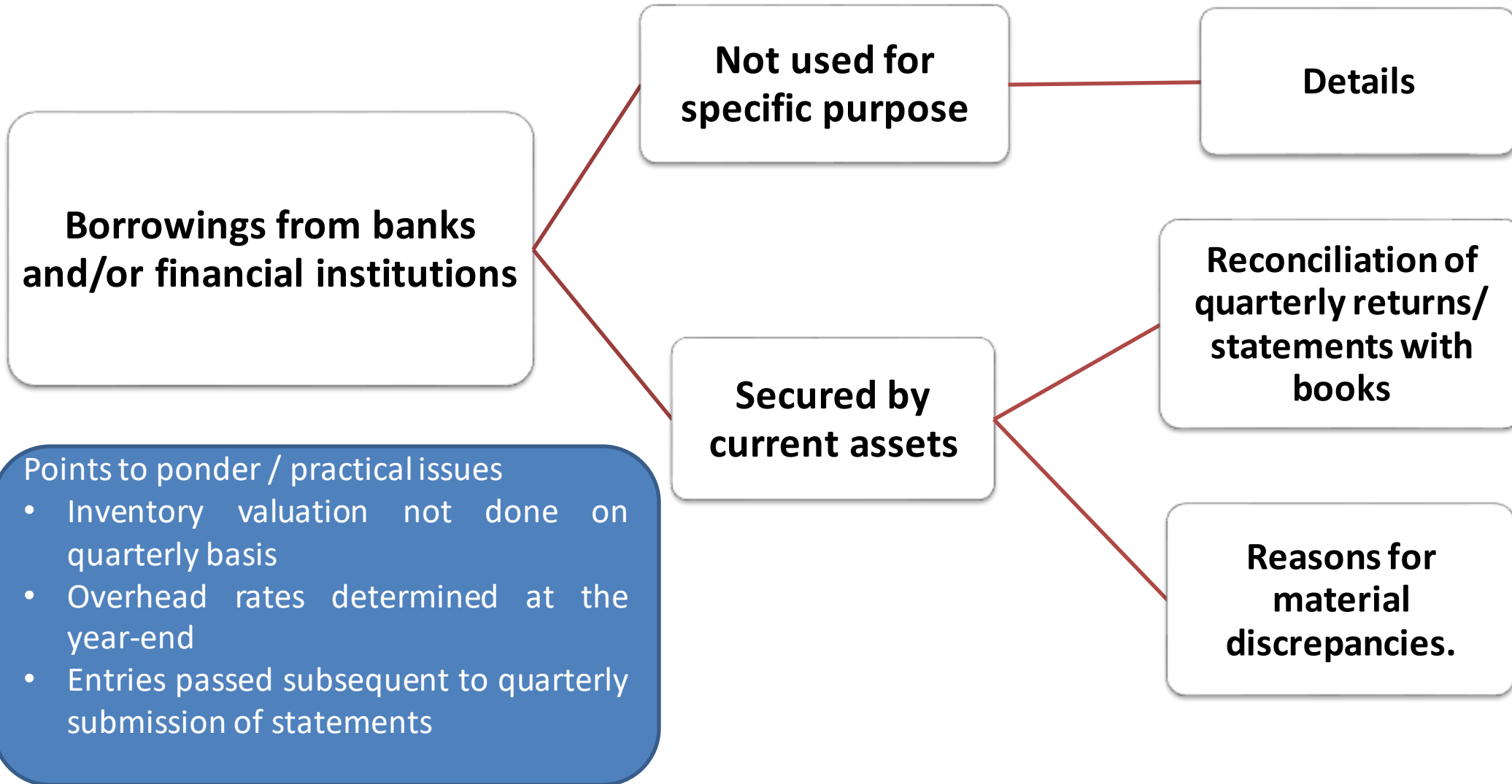
7. LOANS OR ADVANCES GRANTED TO PROMOTERS, DIRECTORS, KMPS AND THE RELATED PARTIES

Loans or advances repayable on demand; or 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	
	Repayable on demand	without specifying any terms or period of repayment	Repayable on demand	without specifying any terms or period of repayment
Promoter				
Directors				
KMPs				
Related parties				

Ensure reconciliation / matching with figures stated in other notes like related parties and disclosure required under section 186(4)

8. BORROWINGS FROM BANKS AND/OR FINANCIAL INSTITUTIONS



Points to ponder / practical issues

- Inventory valuation not done on quarterly basis
- Overhead rates determined at the year-end
- Entries passed subsequent to quarterly submission of statements

2. Key guidance provided by GN

- Illustrative format for disclosure (to be given separately for each company/entity within the group)

Quarter	Name of bank	Particulars of Securities Provided	Amount as per books of account	Amount as reported in the quarterly return/statement	Amount of difference	Reason for material discrepancies

- This disclosure considering the sanctioned borrowings even if the same is unutilized during the period or as at the end of the reporting period. The utilization may be more or less than the sanctioned amounts, but such cases will also be covered for the purpose of reporting.
- Both fund based and non-fund based credit facilities availed by the Company shall be included for the purpose of this disclosure.
- Although company may be submitting monthly returns/statements to the lenders, reporting under this clause is confined to the quarterly returns/statements only.

COMPLIANCE WITH LAWS AND DISCLOSURES THEREOF

3. Corporate social responsibility (CSR)

- Amount required to be spent by the company during the year;
- Amount of expenditure incurred;
- **Shortfall at the end of the year;**
- **Total of previous years shortfall;**
- **Reason for shortfall;**
- Nature of CSR activities;
- **Details of related party transactions**
- **Movements in provision made with respect to a liability incurred by entering into a contractual obligation.**

1. PRESENTATION RELATED

PART 1- Balance sheet

(Division I)

Amendment	Pre amendment	Post amendment
Assets - Non-current assets	Property, plant & equipment a) Tangible assets b) Intangible assets	Property, plant & equipment and Intangible assets a) Property, plant and equipment b) Intangible assets
Current maturities of long term borrowings	Under Other current liabilities	Under Short term borrowings
Security deposits	Under Long term loans and advances	Under Other non current assets

1. PRESENTATION RELATED

(Division II)

Amendment	Pre amendment	Post amendment
Statement of changes in equity (Division II+ III)	Amendments made in existing requirements	<ul style="list-style-type: none"> • Changes in equity share capital due to prior period errors • Restated opening balances • Any other change
Lease liabilities (both non-current and current)	(a) Financial liabilities (i) Borrowings	(a) Financial Liabilities (i) Borrowings (ia) Lease liabilities
Other financial assets	Newly inserted	Inserted after sub heading “Loans” under heading “Current assets”.
Security deposits and Bank deposits	Amendments made in existing requirements	Non-current assets IX. Other financial assets (i) Security deposits (ii) Bank deposits with more than 12 months maturity (iii) Others

1. PRESENTATION RELATED

PART 2 – Statement of profit and loss

(Division I + II)

- **Section 8 Companies** : Under “Revenue from operations” to separately disclose “Grants and Donations received”

(Division I)

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

PART 3 - Rounding off (Division I + II)

Turnover –Total income	Rounding off
(a) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof
(b) one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

(Division I)

- Rounding off of figures is now mandatory – word ‘may’ is replaced by ‘shall’

2. ADDITIONAL DISCLOSURES

A. Registration of charges or satisfaction with Registrar of Companies (ROC)

Charges or satisfaction pending registration
beyond statutory period



Details and reasons
thereof

B. Crypto currency or virtual currency

Profit or loss on
transaction

Currency held at
reporting date;

Deposits /advances
from any person
for trading/
investing.

2. ADDITIONAL DISCLOSURES

C. Undisclosed income

Unrecorded transactions disclosed as income in the tax assessments

D. Details of Benami property held

Details of any proceedings against the company

Details of property

Amount thereof

Details of beneficiaries

Reference to the item in the balance sheet

If property is not in books, then fact with reasons

2. ADDITIONAL DISCLOSURES

E. Relationship with struck off companies

Name of struck off company.

Nature of transaction(s)

Balance outstanding

Relationship, if any

F. Borrowing taken with specific purpose

Borrowings from banks and financial institutions has not used for the specific purpose for which it was taken



Disclose the details of where it has used

CHALLENGES



Comparatives



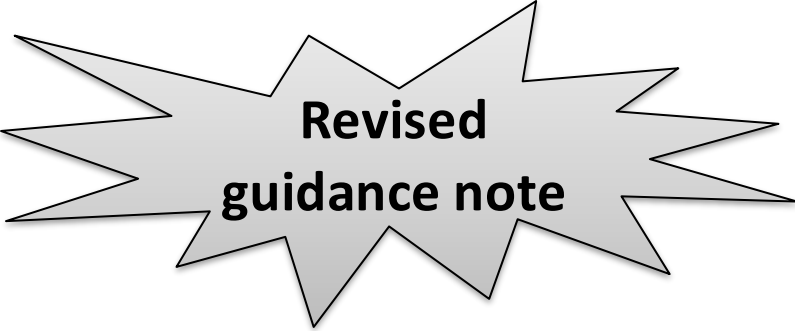
Analytical analysis



Additional disclosures



Ageing



**Revised
guidance note**

“It is not the answer that enlightens, but the question.”

By Eugene Jonesco

THANK YOU!