



**AMENDMENTS IN SCHEDULE III
&
OTHER MATTERS TO BE INCLUDED IN
AUDITORS REPORT**

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AMENDMENTS IN SCHEDULE III



AMENDMENTS IN SCHEDULE III

The Ministry of Corporate Affairs (MCA) has amended Schedule III of the Companies Act, 2013

Applicable : 01st April 2021

The Schedule III is divided into 3 divisions which are as below

Division I - Financial Statements for a company whose Financial Statements are required to comply with Companies (Accounting Standards) Rules, 2006

Division II - Financial Statements for a company whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015

Division III - Financial Statements for Non-Banking Financial Company (NBFC) whose financial statements are drawn up in compliance of the Companies (Indian Accounting Standards) Rules, 2015

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Particulars	Amendments
<p>Compulsory Rounding off figures based on Total Income instead of Turnover. ('May' substituted with 'Shall')</p>	<p>a. Total Income less than Rs. 100 crores - Nearest hundreds, thousands, lakhs or millions</p> <p>b. Total Income more than Rs. 100 crores - Nearest lakhs, millions or crores.</p> <p>Now companies have to round off the figures appearing in the financial statements, hitherto it was optional. Once selected it 'Should' apply consistently</p> <p>Point / Question - Definition of Total Income? Not defined under Act / Schedule</p>
<p>Changes - Part I - Balance Sheet (face)</p>	<p>Addition/Deletion under sub head Non-Current Assets</p> <p>II. ASSETS</p> <p>Non-current assets</p> <p>(1)(a) Property, Plant and Equipment and Intangible assets</p> <p>(i) Tangible assets Property, Plant and Equipment</p> <p>(ii) Intangible Assets</p> <p>Point / Question - The disclosure was earlier warranted as per AS, now it's a specific sub - heading on the face of the B/S</p>

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional disclosures under Notes - Balance Sheet under each head

Share Capital

Shareholding of Promoters at the end of the Year in tabular form containing

- Name
- No of Shares (separately for each class of shares)
- % of Total Shares (separately for each class of shares)
- % change during the year (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)

Promoters - means as defined u/s 2(69)

"promoter" means a person—

(a) who has been named as such in a prospectus or is identified by the company in the annual return referred to in section 92; or

(b) who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or

(c) in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act:

Provided that nothing in sub-clause (c) shall apply to a person who is acting merely in a professional capacity;

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional disclosures under Notes - Balance Sheet under each head

Short-term borrowings

Current maturities of Long-term borrowings shall be disclosed separately

Point / Question - As a practice this was being disclosed - now it is mandatory

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional disclosures under Notes - Balance Sheet under each head

Trade payables

Insertion of sub-heading - **Trade payables due for payment and the Ageing Schedule as below:**

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;

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional disclosures under Notes - Balance Sheet under each head

Trade payables

Point / Question -

- Necessary to determine due date of payment
- In case no due date of payment is specified disclosure shall be from the date of the transaction
- Unbilled - whether will include certain estimations / provision
- Bucketing to be built into the system to ensure that information is available
- Whether additional note to be provided for time barred debt?

Other Current Liabilities - sub-heading (a) Current maturities of long-term debt is omitted

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional disclosures under Notes - Balance Sheet under each head

Property, Plant and Equipment & Intangible Assets

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, **amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment)** and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.

Point / Question -

- Calculation of change on account of revaluation for each class of PPE
- Reversals are also specifically disclosed (this was not there earlier)

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional disclosures under Notes - Balance Sheet under each head

Security Deposits -

Omitted from Long Term Loans & Advances
added under Other Non-current Assets

Point / Question

Where to disclose - in accordance with AS

Utilisation of Borrowings

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

Point / Question

Tracking of money trail will not be easy task

Ensuring that all related details are available will be necessary

Onus on the Company to prove that it was utilized for the purpose of borrowing

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional disclosures under Notes - Balance Sheet under each head

Trade Receivables

Ageing Schedule

Trade Receivables ageing schedule

(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.”;

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional disclosures under Notes - Balance Sheet under each head

Trade Receivables

Point / Question -

- Schedule of ageing is under both Trade Receivable & Other Non-Current Asset
- If the receivable is non-current - ideally ageing upto 1 year will not be available
- If the receivable is current, then unless the operating cycle is longer - it cannot be more than 1 year
- 'Due date of payment' is mentioned - it should be from the 'date it is due'
- In case no due date of payment is specified disclosure shall be from the date of the transaction
- Bucketing to be built into the system to ensure that information is available

Disclosure relating to SBN

Finally deleted

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional Regulatory Information

Title deeds of Immovable Property not held in name of the Company

- (i) Details of all the Immovable Property (other than under lease and the agreement is in the name of the Co) whose title deeds are not held in name of the Company. If the same is held jointly with others, details to the extent of the company's shares shall be disclosed.

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 -	Land Building	-	-	-	-	**also indicate if in dispute
Investment property -	Land Building					
PPE retired from active use and held for disposal -	Land Building					
others						

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional Regulatory Information

Point / Question -

- Detailed inspection of documents will be required
- In case of Companies which are very old - getting all documents may be an issue
- Reason for not being held in the Name of the Company may be difficult to ascertain
- Relative is a wide term
- Collation of all disputes will also be necessary

Disclosure of revaluation of Property, Plant and Equipment - whether based on the valuation by a **registered valuer** as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.

In case of Loans or Advances in the nature of loans are granted to **promoters, directors, KMPs and the related parties 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	Amt of Loan or Adv o/s	% of total L & A
Promoters/ Directors/ KMPs/RP		

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional Regulatory Information

Capital Work In Progress (CWIP) & Intangible Assets-

Ageing schedule

CWIP	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 CWIP amount in the balance sheet.

For CWIP/ Intangible Assets, whose completion is overdue or has exceeded its cost compared to its original plan, CWIP completion schedule mandatory - (Projects where activity is Suspended to be given separately:

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				

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional Regulatory Information

Point / Question -

Loans & Advances

- Open ended lending is being curbed
- More details required

CWIP / Intangible schedules (ageing & completion)

- Reproduction of AWP
- Very detailed information is required
- Careful reading of project / extension etc.,
- Activities are suspended? - whether project is suspended?

Details of Benami Property Held

Disclosure of any proceedings initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 with all details like Details of such property, including year of acquisition, Amount, Beneficiaries, reference to the item in the Balance Sheet (if it is in Books of account), If property is not in the books, then the fact shall be stated with reasons, any proceedings against the company under this law as an abettor of the transaction or as the transferor then the details shall be provided, Nature of proceedings, status of same and company's view on same.

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional Regulatory Information

Point / Question -

- Details of Beneficiaries - may not be available readily
- If property is not in the books - way to find out?
- All pending cases in this regard along with status to be collated

Enhanced Disclosure for borrowings from banks or financial institutions on the basis of security of current assets:

- 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.
- if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed

Point / Question

- Company has to make available all the details and tally it with books of account
- Preparation of reconciliation and reasoning out discrepancies will require dedicated time & resource
- Estimations / projections?
- Bank may not accept provisional information in that case

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional Regulatory Information

Where a company is a declared wilful defaulter by any bank or financial Institution or other lender - [“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.]

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

Disclosure of any transactions with struck off Companies u/s 248 or 560

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)		

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional Regulatory Information

- Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.
- Where Company has not complied with the no. of layers prescribed u/s 2(87) read with Rules, 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.
- Ratios with explanation for items included in numerator & denominator - Reasons for 25% or more variation as compared to PY

Current Ratio

Debt-Equity Ratio

Debt Service Coverage Ratio

Return on Equity Ratio

Inventory turnover ratio

Trade Receivables turnover ratio

Trade payables turnover ratio

Net capital turnover ratio

Net profit ratio

Return on Capital employed

Return on investment

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional Regulatory Information

In case Scheme of Arrangements has been approved in terms of sections 230 to 237, the Company shall disclose that 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 'in accordance with accounting standards'** and deviation in this regard shall be explained.

Point / Question

Very wide reporting in terms of charges etc., - these are covered under secretarial report

Ratios not defined specifically - may lead to ambiguity

Statutory auditors certificate is issued in w.r.t adherence to scheme - reconfirmation in FS

Utilisation of Borrowed funds and share premium

In case the Co 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:

[Similar provisions shall apply in case the Co has received any funds]

DIVISION I - INDIAN GAAP (Part 1 - Balance sheet)

Additional Regulatory Information

- (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
 - date and amount of fund advanced /loaned /invested with complete details of each Intermediary.
 - date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries alongwith complete details
 - date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries
 - declaration that relevant provisions of the FEMA, Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002

Point / Question

Compilation of data for this disclosure will be a task

Completeness of information is always questionable - Whether in writing or otherwise

Compliance with all laws and very detailed disclosure

Other sources / kind of funds

Declaration separately or as part of Notes?

DIVISION I - INDIAN GAAP (Part 2 - Statement of Profit & Loss)

Particulars	Amendments
Changes - Part 2 Statement Profit & Loss Face	a. Addition / Deletion under III is as below I. Revenue from Operations II. Other Income III. Total Revenue Income (I+II)
Additional disclosure under Notes Statement of Profit and Loss	1. <u>Revenue from Operations</u> Grants or donations received (relevant in case of section 8 companies only) 2. <u>Undisclosed Income</u> Co. shall give details of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under 11 any scheme and also shall state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.

DIVISION I - INDIAN GAAP (Part 2 - Statement of Profit & Loss)

Corporate Social Responsibility (CSR)

When the company is covered under section 135 disclosure of :

- a. Amount required to be spent 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, - contribution to trust controlled by Co as per AS
- h. Where a provision is made w.r.t liability incurred, the movement in provision during the year should be shown separately.

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.

DIVISION II - IND AS (Part 1 - Balance sheet)

Particulars	Amendments
<p>Changes - Part I Balance sheet face</p>	<p>Additional disclosures in division II <u>1. Addition under head Equity and Liabilities</u> II. Equity and Liabilities Liabilities (1) Non - Current Liabilities (a) Financial Liabilities (ia) Lease Liabilities</p> <p>Current Liabilities (a) Financial Liabilities (ia) Lease Liabilities</p>
<p>Additional disclosures under Notes Balance sheet each head wise</p>	<p>1. <u>Other Financial Assets</u> i. Security Deposits ii. Bank deposits with more than 12 months maturity iii. Others (to be specified)</p>

DIVISION II - IND AS (Part 1 - Balance sheet)

Statement of Changes in Equity

Equity Share Capital - additional disclosure - Changes in Equity Share Capital **due to prior period errors** - Restated balance at the beginning of the current reporting period

Trade Receivables - ageing schedule along with additional classification into

Undisputed Trade receivables - considered good

Undisputed Trade Receivables - which have significant increase in credit risk

Undisputed Trade Receivables - credit impaired

Disputed Trade Receivables- considered good

Disputed Trade Receivables - which have significant increase in credit risk

Disputed Trade Receivables - credit impaired

Trade Payable

Classification into - MSME - Others - Disputed dues MSME- Disputed dues Others

Point / Question

Inclusion of changes due to prior period errors in SOCIE

Classification / detailing may be painful

DIVISION II - IND AS (Part 1 - Balance sheet)

Other Financial Assets: This is an all-inclusive heading, which incorporates financial **assets that do not fit into any other financial asset categories**, such as, Security Deposits

Other Financial Liabilities: Current maturities of long-term debt & Current maturities of finance lease obligations - omitted

Non-Current liabilities : Long term maturities of finance lease obligations - omitted

Additional Regulatory Information

Disclose as to whether the fair value of investment property (as measured for disclosure purposes in the financial statements) is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017

Where the company has revalued its intangible assets/ PPE(including ROU), the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer

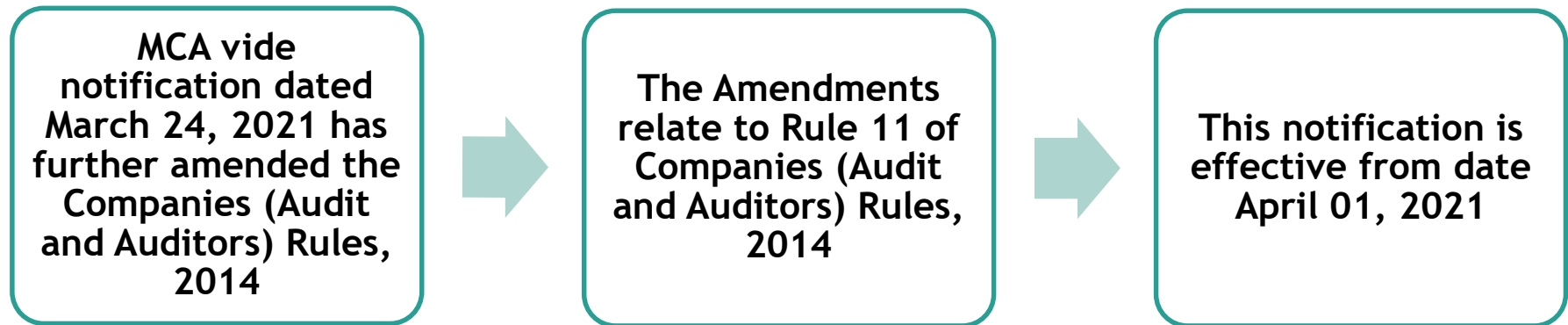
DIVISION III - NBFC (Part 1 - Balance sheet)

Particulars	Amendments
Additional Regulatory Information	Additional disclosures in division II Similar to Div I & II Following ratios shall be disclosed (a) Capital to risk-weighted assets ratio (CRAR) (b) Tier I CRAR (c) Tier II CRAR (d) Liquidity Coverage Ratio

OTHER MATTERS TO BE INCLUDED IN AUDITORS REPORT



MCA - IMPORTANT AMENDMENT



Point / Question

- Whether Applicable from FY 2021-22
- Or
- To Reports issues on or after April 01, 2021

Amendments

The Auditor's Report shall also include their views and comments on the following matters, namely:

➤ **Clause (e)**

(i) Whether **the management has represented** that, **to the best of its knowledge and belief, other than as disclosed in the notes to the accounts**, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, **whether recorded in writing or otherwise**, that the Intermediary shall, whether, **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 **provide any guarantee, security** or the like on behalf of the Ultimate Beneficiaries;

(ii) Whether the **management has represented**, that, **to the best of its knowledge and belief, other than as disclosed in the notes to the accounts**, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, **whether recorded in writing or otherwise**, that the company shall, whether, **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 provide any guarantee, security or the like on behalf of** the Ultimate Beneficiaries; and

Amendments

(iii) Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii) contain any material mis-statement.

Points for consideration

- Opinion is to be provided on the basis of representation from the management and also that the representation is not materially misstated
- Management has to provide information to the best of its knowledge
- Requires auditor to report whether there are any transactions other than those reported in the notes to accounts
- Difficulty in collating audit evidence - as it includes whether in writing or otherwise
- Includes direct / indirect investment - how will the information / evidence be gathered
- Also includes likes of the guarantee / security
- Covers both received as well as lent / invested

SA 240 & SA 315 to be put to use in letter & spirit to design audit procedures!

Amendments

➤ (Clause (f))

Whether the dividend declared or paid during the year by the company is in compliance with section 123 of the Companies Act, 2013.

Points for consideration

Factual reporting

Specific non-compliances with the provisions of the section may warrant reporting

Whether dividend out of surplus / out of reserves to be reported

Amendments

➤ **Clause (g)**

Whether the company has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.

Points for consideration

Mandatory ITGC to be conducted

Verification of audit trails

Amendment is applicable from 1 April & right from the beginning of the year - the software should be compliant (we have to report throughout out the year)

Audit Trail to be preserved & not tampered with - does it need certificate from expert - relying on which we can report?

➤ **Clause (d) - Omitted**

Accordingly, w.e.f. 01.04.2021, the matter related to specified bank notes during demonetisation period is no more required to be stated in “Other Matters” in the auditor’s report.



A large number of grey paper boats are scattered across a dark blue, rippling water surface. In the center foreground, a single yellow paper boat stands out prominently. The boats are simple, origami-style vessels. The water reflects the boats, creating a sense of depth and movement. The overall mood is serene and contemplative.

THANK YOU