

Demystifying Changes Applicable To **Financial Statements For FY 2021-22** And Onwards Pursuant To Amendments In Schedule III.

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// FOREWORD

01

The Ministry of Corporate Affairs (MCA) has amended Schedule III of Companies Act 2013 (Act) on 24 March 2021 with an objective to increase transparency and provide additional disclosures to users of financial statements. These amendments are effective from 1 April 2021.

02

Earlier, MCA had issued the Companies (Auditor's Report) Order, 2020 (CARO 2020), which is also applicable for audit reports to be issued on or after 1 April 2021. Some of changes in Schedule III are in line with changes in CARO 2020, so companies can provide required information in financial statements for Auditors to report in CARO 2020.

03

In this presentation, we have tried to highlight what are the new requirements in Schedule III.

04

It aims to highlight key consideration which companies should be aware of while implementing these changes..

AGENDA

1

Applicability

2

Balance Sheet items related disclosures

3

Profit and Loss Account items related disclosures

4

Other additional disclosures



APPLICABILITY

E

Effective: Ministry of Corporate Affairs (MCA) has amended Schedule III of Companies Act 2013 on 24th March 2021. These amendments are effective from 1st April 2021 onwards.

O

Objective: Increase transparency and provide additional disclosures to users of Financial Statements.

C

CARO 2020: MCA has issued the Companies (Auditor's Report) Order, 2020 (CARO 2020), which is also applicable for audit reports to be issued on or after April 1, 2021. Some of the changes are in line with changes in CARO 2020.

K

Key Considerations (Quarterly & Half Yearly SEBI Results): SEBI Listing Obligations and Disclosure Requirements (LODR) requires Schedule III format to be used for SEBI results. Schedule III amendments make no changes in format of statement of profit and loss. However, there are a few new line items inserted or grouping is changed in the format of balance sheet. These format changes need to be made in half yearly results since SEBI format is aligned to Schedule III format. Comparative figures also need to be re-grouped / re-classified, wherever required, with appropriate notes.

BALANCE SHEET

CURRENT RATIO 3.38
QUICK RATIO 2.91

CASH RATIO
WORKING CAPITAL



ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$373.00
Term investments	\$1,517.00
Accounts receivable	\$1,918.00
Prepaid expenses	\$743.00
Income taxes	\$445.00
Expenses and other current	\$345.00
Total current assets	\$5,341.00

FIXED ASSETS

Plant, and equipment at cost	\$10,963.00
Accumulated depreciation	-\$3,098.00
Plant, and equipment (net)	\$6,495.00
Cash investments	\$472.00
Intangible assets	\$1,972.00
Income taxes	\$437.00
Total	\$634.00

LIABILITIES

CURRENT LIABILITIES

Loans payable and current portion of long-term debt
Accounts payable and accrued liabilities
Income taxes payable

TOTAL

OTHER LIABILITIES

Long-term debt
Accrued retirement benefits
Deferred income taxes
Deferred compensation

TOTAL OTHER LIABILITIES

TOTAL LIABILITIES

2

BALANCE
SHEET ITEMS
RELATED
DISCLOSURES

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

Currently, trade receivables are sub-classified as:

- (i) (a) Considered good - Secured
 - (b) Considered good - Unsecured
 - (c) Trade Receivables which have (significant increase in credit risk)
 - (d) Trade Receivables - credit (Impaired)
- (ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

Amendments

In addition to current practice, company is required to give following ageing from the due date of payment for each of the category mentioned above:

For IND-AS Companies:

Particulars	Not Due	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							

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

(iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated

Reporting in CARO, 2020: No Reporting is prescribed

Amendments

For IGAAP Companies

Particulars	Not Due	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 Receivable-considered doubtful							
(iii) Disputed Trade Receivables considered good							
(iv) Disputed Trade Receivables considered doubtful							

Note :

- 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.
- Dispute means disagreement between two parties demonstrated by some positive evidence which supports or corroborates the fact of disagreement.

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

Schedule III requires disclosure of loans to and advances to related parties.

Further it requires following disclosure:

- Loans due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.

Amendments

If loans are granted to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013), which are either :

- repayable on demand or
- without specifying any terms or period of repayment

the following additional disclosure will be made: -

- Amount of loan or advance in the nature of loan outstanding;
- Percentage to the total Loans and Advances in the nature of loans.

Reporting in CARO, 2020: No Reporting is prescribed

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

- 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.

As per Ind As 24, nature of relationship with related party, nature of transactions and outstanding balances, including commitments were required to be disclosed.

Amendments

Following disclosure shall be made:

Type of Borrower	Amount of loan or advance in the nature of loan outstanding (Repayable on demand)	%age of the total loans and advances in the nature of loans
Promoters		
Directors		
KMP's		
Related Parties		
Total		

Reporting in CARO, 2020: Reporting is prescribed (Refer CARO 2020)

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

Trade payables were required to be segregated into:

- dues of micro enterprises and small enterprises (MSME) and
- other than micro enterprises and small enterprises.

Amendments

In addition to current practice, company is required to give ageing of trade payables as presented below:

Particulars	Unbilled Dues	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						

Notes:

- Ageing has to be computed from due date of payment but if due date is not prescribed then from the date of transaction.
- Unbilled dues shall be disclosed separately which means that accrual of expenses or any other unbilled dues has to be disclosed separately.
- Dispute means disagreement between two parties demonstrated by some positive evidence which supports or corroborates the fact of disagreement.

Reporting in CARO, 2020: No Reporting is prescribed

RELATIONSHIP WITH STRUCK OFF COMPANIES

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No such disclosures required.

Amendments

Whether company has any transactions with Struck off companies (as defined in Companies Act)? If Yes, then the company shall disclose the following:

Name of Struck off company	Nature of transactions with Struck off companies	Balance Outstanding	Relationship with the Struck off company
	Investments in securities		
	Receivables		
	Payables		
	Shares held by stuck off company		
	Other outstanding balances (to be specified)		

Reporting in CARO, 2020: No Reporting is prescribed

Reporting under this clause will be based on information provided by management and sample checking by the auditor.

BORROWINGS OBTAINED ON THE BASIS OF SECURITY OF CURRENT ASSETS

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No such disclosure required

Amendments

Where the company has borrowings from banks or financial institutions on the basis of security of current assets, then the company should ensure that the quarterly statements of current assets filed with the bankers are in agreement with books of accounts.

If the same is not in agreement with books of accounts, then reconciliation has to be provided in Financial Statements.

In case of differences, disclosure can be as under:-

Particulars	Period	Amount as per Financials	Amount filed with Bankers	Difference
Eligible Trade Receivables				
Eligible Inventories				
Other Current Assets reported to banks				

Reporting in CARO, 2020: Reporting is prescribed

CWIP & INTANGIBLE ASSETS UNDER DEVELOPMENT

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No such disclosure required.

Amendments

For Capital Work in Progress & Intangible Assets under Development, following ageing schedule shall be given:
(Amt in Rs.)

CWIP/IAUD	Amount of CWIP/IAUD for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
i. Projects in progress					
ii. Projects temporarily suspended					

For CWIP/IAUD, whose completion is overdue or has exceeded its cost compared to its original plan, CWIP completion schedule shall also be given as per following format* -
(Amt in Rs.)

CWIP/IAUD	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
i. Project 1				
ii. Project 2				

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

Reporting in CARO, 2020: No Reporting is prescribed

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No such disclosure required.

Amendments

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.

Note : The amendment is silent on the extent of details required to be disclosed when company has not used the borrowings for specific purpose for which it was taken.

Onus shall be on the company to keep sufficient records to prove that funds were utilized for the stipulated purpose as per sanction document.

A major challenge will be to ascertain usage of working capital borrowings in view of the volume of transactions.

Reporting in CARO, 2020: Reporting is prescribed

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

There was no specific requirement to disclose the promoter's shareholding in financial statements.

Amendments

A company shall disclose Shareholding of Promoters under sub- heading "Equity Share Capital" in Financials Statements.

S. No.	Promoter' Name	No. of Shares*	%age of shares held	%age change during the year**
Total				

* Details shall be given separately for each class of shares

** 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.

Note : Promoters 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.

Reporting in CARO, 2020: No Reporting is prescribed

Amendments in: IGAAP ✗ IND-AS ✓

Current Practice

There was no specific disclosure requirement under Schedule III.

However, the similar disclosure requirements are mentioned in Ind-As 8 relating to prior period errors where we are required to retrospective restate our financials

Amendments

Under SOCIE, for Equity Share Capital, following additional disclosures are required:

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

Under SOCIE, Equity Share Capital will be required to present as follows:

A. Equity Share Capital (i) Current Reporting Period

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 current reporting period
Total				

Amendments in: IGAAP ✗ IND-AS ✓

Current Practice

Amendments

ii. Previous Reporting Period

Balance at the beginning of the previous reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the previous reporting period	Changes in Equity Share Capital during the previous year	Balance at the end of previous reporting period
Total				

Reporting in CARO, 2020: No Reporting is prescribed

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

IND-AS:

Security deposit was Required to be classified under Loans (under financial assets).

IGAAP:

Security deposit was Required to be classified under Long-term loans and advances.

Amendments

IND-AS:

Amended presentation in Financial Statements states to present Security Deposits under "Other financial assets".

IGAAP:

Amended presentation in Financial Statements states to present long term security deposits under "Other non-current assets".

Reporting in CARO, 2020: No Reporting is prescribed

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No such disclosures required.

Amendments

Where any proceeding has 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:

- Details of such property,
- Amount thereof,
- Details of beneficiaries,
- If property is in the books, then reference to the item in the balance sheet,
- If property is not in the books, then the fact shall be stated with reasons,
- Where there are proceedings against the company under this law as an a better 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.

Reporting in CARO, 2020: Reporting is prescribed (Refer CARO 2020)

CURRENT MATURITIES OF LONG-TERM BORROWINGS

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

IND-AS:

At present, Current maturities of Non-current borrowings were required to be disclosed under "Other Current Financial Liabilities".

IGAAP:

At present, Current maturities of Non-current borrowings were required to be disclosed under "Other Current Liabilities".

Amendments

IND-AS:

Current maturities of long-term borrowings shall be disclosed under "Short term borrowings" separately, namely "Current maturities of long-term borrowings".

IGAAP:

Current maturities of long-term borrowings shall be disclosed under "Short term borrowings" separately, namely "Current maturities of long-term borrowings".

It will avoid same getting missed in ratios like debt equity ratio if companies were not considering "Current maturities of long-term borrowings" under debt.

Reporting in CARO, 2020: No Reporting is prescribed

Amendments in: IGAAP ✗ IND-AS ✓

Current Practice

No specific guidance on classification of lease liabilities.

Long term lease liabilities were classified under borrowings or other non-current financial liabilities.

Current maturities of lease liabilities were disclosed under Other financial liabilities.

Some of the companies use to disclose lease liabilities on the face of balance sheet.

Amendments

Long term and current maturities of lease obligations needs to be classified under non-current and current financial liabilities respectively, i.e. now the same has to be disclosed separately on the face of balance sheet.

Reporting in CARO, 2020: No Reporting is prescribed

REVALUATION OF PPE AND INTANGIBLE ASSETS

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

Ind As 16 and Ind As 38 requires reconciliation of gross and net carrying amounts of each class of assets at the beginning and end of the period showing additions, disposals, depreciations and other adjustments such as increase or decrease during the period on account of revaluations or impairment losses recognized or reversed in other comprehensive income.

Amendments

Upon revaluation, in addition to existing items of reconciliation, company is also required to make disclosure with respect to amount of change due to revaluation (if change is 10% or more in aggregate of the net carrying value of each class of assets).

Where the Company has revalued its PPE / IA, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.

Reporting in CARO, 2020: Reporting is prescribed

Amendments in: IGAAP ✗ IND-AS ✓

Current Practice

In Schedule III there was no disclosure requirement on whether the fair value of investment property is based on the valuation by a registered valuer or not.

Ind-As 40 requires to disclose the extent to which the fair value of investment property is based on a valuation by an independent valuer who holds a recognized and relevant professional qualification.

Amendments

Where the Company has revalued its fair valued investment property for disclosure purpose, the company shall disclose as to whether the revaluation / fair valuation is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.

This will bring more transparency as Companies are required to make a positive assertion that whether the fair value of investment property is based on the valuation by a registered valuer.

Reporting in CARO, 2020: No Reporting is prescribed

TITLE DEEDS OF IMMOVABLE PROPERTY NOT HELD IN THE NAME OF THE COMPANY

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No such disclosure required under schedule III.

However, Ind-As 16 requires the entity to give disclosures related to existence and amounts of restrictions on title, PPE pledged as security for liabilities.

Amendments

Where title deed of any immovable property (other than properties where the company is the lessee and the lease agreements are duly executed in favor of the lessee) is not in the name of the Company, then following disclosure has to be given:

- 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 (Also indicate if in dispute)

Description of property	Gross carrying value	Held in name of	Whether promoter, director or their relative or employee	Period held –indicate range, where appropriate	Reason for not being held in name of company*
-	-	-	-	-	*also indicate if in dispute

Reporting in CARO, 2020: Reporting is prescribed

DISCLOSURE IN RESPECT OF LOANS AND BORROWINGS GIVEN

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No such disclosure required under schedule III.

Amendments

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 or entity, including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall:

- 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 to or on behalf of the Ultimate Beneficiaries; the company shall disclose the following:
 - Date and amount of fund advanced or loaned or invested in intermediaries 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 along with complete details of the ultimate beneficiaries.

DISCLOSURE IN RESPECT OF LOANS AND BORROWINGS GIVEN CONTINUED.....

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

Amendments

- Date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries(UB).
- Declaration that relevant provisions of the Foreign Exchange Management Act, 1999 and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act.

Reporting in CARO, 2020: Reporting is prescribed

DISCLOSURE IN RESPECT OF LOANS AND BORROWINGS TAKEN

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No such disclosure required under schedule III.

Amendments

Where company has received any fund from any other person or entity, including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:

- 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 to or on behalf of the Ultimate Beneficiaries; the company shall disclose the following:
 - Date and amount of fund received from Funding parties with complete details of each Funding party.
 - Date and amount of fund further advanced or loaned or invested by other Intermediaries or Ultimate Beneficiaries along with complete details of the other intermediaries' or ultimate beneficiaries.

DISCLOSURE IN RESPECT OF LOANS AND BORROWINGS TAKEN CONTINUED.....

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

Amendments

- Date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries;
- Declaration that relevant provisions of the Foreign Exchange Management Act, 1999 and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act.

Reporting in CARO, 2020: Reporting is prescribed



3

STATEMENT OF PROFIT AND LOSS - RELATED DISCLOSURES

Balance Sheet

ASSETS

Current assets

Cash

Petty cash

Temporary investments

Accounts receivable - net

Inventory

Supplies

Prepaid expenses

Total current assets

Investments

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

Disclosure is required for amount of expenditure incurred on CSR Activities.

Further, as per Guidance on Technical Guide on Accounting for Expenditure of CSR Activities, some additional disclosures are required as follows:

- Relevant note on disclosing the breakup of various heads of expenses included in the line item "CSR Expenditure".
- Gross amount required to be spent during the year
- Amount approved by the Board to be spent during the year

Amendments

When the company is covered under section 135, the following shall be disclosed with regard to CSR activities:

- Amount required to be spent 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, e.g., contribution to a trust controlled by the company as per relevant Accounting Standard
- Where a provision is made w.r.t. liability incurred, the movement in the provision during the year should be shown separately.

Refer next slide for Corporate Social Responsibility (Applicability) .

CORPORATE SOCIAL RESPONSIBILITY CONTINUED...

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

- Amount spent during the year on
 - a. Construction/acquisition of any asset
 - b. On purpose other than (I)above
- Details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per Ind AS 24, Related Party Disclosures.

Note: Where a provision is made for CSR, the same should be presented as per the requirements of Schedule III to the Act. Further, movements in the provision during the year should be shown separately.

Reporting in CARO, 2020: Reporting is prescribed

Amendments

The Provision of CSR applies to:

- Every Company
- It's holding company
- It's subsidiary company
- Foreign company

Having in the immediately preceding financial year:

- Net worth of Rs. 500 cr. or more, or
- Turnover of Rs. 1000 cr. or more, or
- Net profit of Rs. 5 cr. or more

Calculation

Board of every company under purview of section 135 shall ensure that the company spends, in every financial year, at least 2% of average net profits of the company made during the three immediately preceding financial years [or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years], in pursuance of its Corporate Social Responsibility Policy.

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No disclosure required

Amendments

Whether there are any transactions which are not disclosed in the books of accounts but surrendered or disclosed as income during tax assessments under Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961)?

If yes, the entity is required to provide details of those transactions along with acceptance that previously unrecorded income and assets are duly recorded in books of accounts during the year.

Reporting in CARO, 2020: Reporting is prescribed

GRANTS OR DONATIONS RECEIVED

(FOR SECTION 8 COMPANIES)

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No disclosure required

Amendments

Section 8 Companies are required to make a new insertion in Schedule of Revenue from operations for "Grants or donation" received.

It will lead to enhanced transparency in the financial statements.

Reporting in CARO, 2020: Reporting is prescribed

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No disclosure required

Amendments

If the company has traded or invested in crypto currency or virtual currency during the financial year, the following shall be disclosed:

- Profit or loss on such transactions
- Amount of currency held on reporting date
- Advances/deposits received for the purpose of investing/trading in such currency.

Reporting in CARO, 2020: Reporting is prescribed



4

OTHER ADDITIONAL DISCLOSURES

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

Currently, depending upon the turnover of the company, the figures appearing in the financial statements are required to be rounded off for Ind AS Companies.

Rounding off was not mandatory under IGAAP.

Amendments

As per amendment, depending upon the total income of the company, the figures appearing in the financial statements are required to be rounded off.

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.

Reporting in CARO, 2020: No Reporting is prescribed

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No disclosure required

Amendments

Following ratios to be disclosed in Notes to Accounts:

S.No.	Ratio	Numerator	Denominator	Current Year	Previous Year	%age Variance	Reasons
I.	Current Ratio						
II.	Debt-Equity Ratio						
III.	Debt Service Coverage Ratio						
IV.	Return on Equity Ratio						
V.	Inventory Turnover Ratio						
VI.	Trade Receivables Turnover Ratio						
VII.	Trade Payables Turnover Ratio						
VIII.	Net Capital Turnover Ratio						

DISCLOSURE OF FINANCIAL RATIOS CONTINUED....

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No disclosure required



Adobe Acrobat
Document

Reporting in CARO, 2020: No Reporting is prescribed

Amendments

Following ratios to be disclosed in Notes to Accounts:

S.No.	Ratio	Numerator	Denominator	Current Year	Previous Year	%age Variance	Reasons
IX.	Net Profit Ratio						
X.	Return on Capital Employed						
XI.	Return on Investment						

Note:

The Company shall explain the items included in numerator and denominator for computing the above ratios. Further explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year.

COMPLIANCE WITH NUMBER OF LAYERS OF COMPANIES

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No disclosure required

Amendments

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 following details shall be disclosed:

- The name of the companies beyond the specified layers;
- CIN of those companies;
- The relationship/extent of holding of the company in such downstream companies.

Companies (Restriction on number of Layers) Rules, 2017

- No company, other than a company belonging to a class specified in sub-rule (2), shall have more than two layers of subsidiaries.
- For computing the number of layers under this rule, one layer which consists of one or more wholly owned subsidiary or subsidiaries shall not be taken into account.
- This restriction was introduced to prohibit companies from misusing multiple layers of subsidiaries, by creating shell companies for diverting funds or money laundering.

Reporting in CARO, 2020: Reporting is prescribed

COMPLIANCE WITH APPROVED SCHEME(S) OF ARRANGEMENTS

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No disclosure required

Amendments

Where any scheme of arrangement has been approved by Competent Authority, in terms of Section 230 to 237 of the Companies Act, 2013, the Company shall disclose that the effect of such Scheme of Arrangements have been accounted for in books of account 'in accordance with the Scheme' and 'in accordance with the accounting standards' and deviation in this regard shall be explained.

Reporting in CARO, 2020: No Reporting is prescribed

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No disclosure required

Amendments

Where the company has defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any bank, financial institution or other lender and the company is declared a willful defaulter by any lender, in such case the company shall disclose the following information:

- Date of declaration as willful defaulter
- Details of defaults (amount and nature of defaults)

Note:

1. Willful defaulter" here means a person or an issuer who or which is categorized as a willful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on willful defaulters issued by the Reserve Bank of India.
2. Lender wise details to be provided in case of defaults to banks, financial institutions and Government.

Reporting in CARO, 2020: Reporting is prescribed

REGISTRATION OF CHARGE OR SATISFACTION WITH REGISTRAR OF COMPANIES

Amendments in: IGAAP ✓ IND-AS ✓

Current Practice

No disclosure required

Amendments

Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period (30 Days), details and reasons thereof shall be disclosed.

Reporting in CARO, 2020: No Reporting is prescribed

Clause on Deposits/Deemed Deposits

Clause (V) In respect of deposits accepted by the Company or amounts which are deemed to be deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder, where applicable, have been complied with? If not, the nature of such contraventions be stated; If an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not?

Key Changes

Amounts which are deemed to be deposits have been added. To be checked with ROC filing (DPT-3) in this regard

Additional clauses in CARO 2020 (Not covered by Schedule III)

Clause related to Frauds

Key Changes

Clause (XI) (a) Whether any fraud by the company or any fraud on the Company has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated;

Clause (XIV) (b) Whether any report under sub-Section (12) of Section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules 2014 with the Central Government?

Clause (XIV) (c) whether the auditor has considered whistle-blower complaints, if any, received during the year by the Company?

Earlier clause modified to cover all frauds (earlier only fraud by officers or employees)

In case of frauds, auditor is required to file form ADT-4 per Section 143 (12) of the Companies Act. Reporting under this clause is required by the auditor in such cases. Any fraud reported in ADT-4 by the auditor / cost auditor or secretarial auditor to be reported under this clause.

In case the company has a whistle blower mechanism, auditor is required to report on whether he has considered the same while arriving at a conclusion regarding existence / non existence of fraud. Refer section 177 (9) of Companies Act for applicability criteria.

Additional clauses in CARO 2020 (Not covered by Schedule III)

Clause related to Internal Audit

Key Changes

Clause (XIV) (a) Whether the company has an internal audit system commensurate with the size and nature of its business?

New clause.
Similar to earlier clause in CARO 2003. Auditor to report, even if internal audit is not mandated by the Companies Act.

Clause (XIV) (b) Whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor?

New clause. Statutory auditor to specifically state whether he has considered the internal audit reports.

Clause related to Going Concern

Clause (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.

Key Changes

New clause which puts a huge responsibility on the shoulders of the auditor to verify and report on financial viability / stability of the company for the next one year.

Earlier, going concern evaluation was part of main report (In case of any concern regarding the same in view of the statutory auditor). Now specific assertion added in CARO.

Clause related to Auditor's resignation

Clause (XVIII) Whether there has been any resignation of the statutory auditors during the year? If so, whether the auditor has taken into consideration the issues, objections or concerns raised by the outgoing auditors?

Key Changes

New clause where new auditor is required to report whether the issues, objections or concerns raised by outgoing auditors have been duly considered. As per code of conduct, auditors are required to correspond with the outgoing auditor in this regard. In addition to the same, the auditor has to also consider grounds of resignation, if any, given by the outgoing auditor to the Company.

Companies should be careful that while resigning, the outgoing auditor does not mention any issues / concerns / objections. If he mentions any of the above, they will now get reported to the public at large through the CARO report.

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