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Revised Schedule III to the Companies Act 2013

Implications of Recent Amendments

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Background

- The Ministry of Corporate Affairs (MCA) issued notification G.S.R. 207(E) dated 24th March 2021 amending Schedule III to the Companies Act, 2013 for financial year commencing on or after 1st April 2021.
- It incorporates various additional disclosure requirements to be complied with while preparing financial statements.
- Majority of the amendments to Schedule III are to align with CARO 2020.
- Since amended Schedule III is effective from 1st April 2021, the interim financial information reporting also need to be in compliance with amended Schedule III.

The ICAI has, in January, 2022, revised:

- Guidance Note on Division I – Non Ind AS Schedule III to the Companies Act, 2013,
- Guidance Note on Division II - Ind AS Schedule III to the Companies Act 2013, and
- GN on Division III – Schedule III to the Companies Act 2013 for NBFC that is required to comply with Ind AS

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Applicability Criteria - Key Considerations

● **Previous year**	All such new amendments shall also be disclosed for Previous year as well.
● **IPO – Restated Financial Statements**	To be applicable for all the previous 3 years.
● **Applicability to Companies following 31 December year end**	Notification does not explicitly state that it would be applicable only to financial statement prepared for year beginning “on or after 1 April 2021 ”. Hence, not clear whether Schedule III amendment would be applicable for annual financial reporting for 31 December 2021. ICAI Guidance note – “On or after 1 April 2021 ” , Applicable to Previous year .
● **Consolidated financial statements**	• Schedule III itself states that the provisions of the Schedule are to be followed mutatis mutandis to a consolidated financial statement. • MCA has also clarified vide General Circular No. 39 / 2014 dated 14 October 2014 that Schedule III to the Act with the applicable Accounting Standards does not envisage that a Company while preparing its consolidated financial statements merely repeats the disclosures made by it under stand-alone accounts being consolidated. Accordingly, the Company would need to give all disclosures relevant for CFS only. • Guidance note provided detailed guidance on many disclosure requirements to help user understand what should be furnished in the financial statements.
● **Full / Condensed interim financial Statements**	Full interim financial Statements as per **Ind AS 34 – To be included** Condensed interim financial Statements – **Not to be included.**

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Mandatory Rounding off

❖ It is now **compulsory to apply rounding off** and a Company cannot continue to disclose full figure: (Division I)

Total income <Rs. 100 Crores	Round off to the nearest hundreds, thousands, lakhs or millions or decimal thereof
Total income >Rs. 100 Crores	Round off to the nearest lakhs, millions or crores, or decimal thereof

❖ Total income to be considered instead of Turnover. (Division I and Division II).

❖ **Corresponding reporting to CARO 2020: Not prescribed**

Balance Sheet (Division I)

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.)	Figures as at the end of (Previous reporting period) (in Rs.)
II.	**ASSETS**			
1	**Non Current Assets**			
	(a) Property, Plant and Equipment and Intangible Assets			
	(i) ~~Tangible assets~~ Property, Plant and Equipment			
	(ii) Intangible assets			
	(iii) Capital work-in progress			
	(iv) Intangible assets under development			

Balance Sheet (Division II)

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.)	Figures as at the end of (Previous reporting period) (in Rs.)
			(DD/MM/YYYY)	(DD/MM/YYYY)
	EQUITY AND LIABILITIES			
1	Liabilities			
	Non-current Liabilities			
	(a) Financial Liabilities			
	(ia) Lease Liabilities			
2	Current Liabilities			
	(a) Financial Liabilities			
	(ia) Lease Liabilities			

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Lease Liability (Division II)

Earlier			Now	
Non-Current Liabilities →	Borrowings →	Lease Obligations (LO)	Non-Current Liabilities →	Lease Liabilities (Separate Head on the face of Balance Sheet)
Current Liabilities →	Other Fin. Liabilities →	Current Maturities of LO	Current Liabilities →	Lease Liabilities *(Separate Head on the face of Balance Sheet)*

❖ Ind AS requires disclosure of lease liabilities separately from other liabilities. The amendment in Schedule III has been introduced in order to maintain uniformity in relation to presentation and disclosure requirement of Ind AS 116.

Trade Receivables ageing schedule (Division I, II and III)

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						

UNDISPUTED

DISPUTED

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Trade Receivables ageing schedule (Division I, II and III)

- To **match 'total' column** with the financial statements or notes, **two additional columns 'Unbilled' and 'Not due' shall be added before the ageing columns**. The ageing requirement shall not apply to these trade receivables not due for payment.

- **If due date is not specified / agreed**, then the disclosure needs to be prepared from the transaction date. **Transaction date shall be the date** on which the receivable is recognized in the books of account as per applicable standards.

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

- **Corresponding reporting in CARO 2020: Not prescribed.**

Trade Receivable Amount Matching
(Division I, II and III)

New Disclosure requirements	Sub-classification
Undisputed Trade receivables – considered good + Disputed Trade Receivables – considered good	Secured, considered good + Unsecured, considered good
Undisputed Trade Receivables – which have significant increase in credit risk + Disputed Trade Receivables – which have significant increase in credit risk	Doubtful / significant increase in credit risk
Undisputed Trade Receivables – credit impaired + Disputed Trade Receivables – credit impaired	Allowance for doubtful debts / credit impaired

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Disclosure of Promoters' Shareholding (Division I, II and III)

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.
- ❖ % 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.
- ❖ Companies should also disclose number and % of shares at the beginning of the year as additional columns in order to facilitate an understanding of the % change during the year.
- ❖ **As per Section 2(69) of the Act "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 (other than a person who is acting merely in a professional capacity)

Disclosure of Promoters' Shareholding (Division I, II and III)

❖ **"Control" - As per Section 2(27) Companies Act 2013**:

Control shall include the Right to **appoint majority of the directors** or to **control the management** or **policy decisions exercisable by a person or persons** acting individually or in concert, **directly or indirectly**, including by virtue of **their shareholding or management rights or shareholders agreements or voting agreements or in any other manner;**

❖ **Ind AS 110 Control :**

Investor controls investee only if all of the following **conditions** gets satisfied :

1. Power over the investee, i.e., the investor has existing rights that give it the ability to **direct the relevant activities** (the activities that significantly affect the investee's returns).
2. **Exposure to variable returns** from its involvement with the investee.
3. **Linkage b/w Power and exposure** : Ability to use its power over the investee to affect the amount of the investor's returns

❖ **Disclosure to be made for current year as well as for previous year.**

❖ **Corresponding reporting in CARO 2020: Not prescribed.**

Disclosure of Promoters' Shareholding (Division I, II and III)

Clause (i) of Note 6A– Guidance Note Division I

A Company shall also disclose in case of shareholding by Promoters, If:

For the period of **five years immediately preceding the date** as at which the Balance Sheet is prepared :

(a) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.

(b) Aggregate number and class of shares allotted as fully paid up by way of bonus shares.

(c) Aggregate number and class of shares bought back.

Trade Payables ageing schedule (Division I, II and III)

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					

- To **match 'total' column** with the financial statements or notes, **two additional columns 'Unbilled' and 'Not due' shall be added before the ageing columns.** The ageing requirement shall not apply to these trade payables not due for payment.
- If **due date is not specified / agreed**, then the disclosure needs to be prepared from the transaction date. **Transaction date shall be the date** on which the liability is recognized in the books of account as per applicable standards.
- **If due date is re-negotiated / invoice is revised**, due date shall be considered from **original due date or revised due date as** per the **agreed** terms between buyer and seller.
- **Corresponding reporting in CARO 2020: Not prescribed.**

CWIP Ageing
(Division I, II and III)

CWIP	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
i) Projects in Progress					
ii) Projects temporarily suspended					

❖ **Neither Schedule III nor Ind AS 16 defines 'PROJECT'.**

Guidance from ICAI Guidance note :

❖ **What is project ?**

- Project may be construed as **smallest group of assets** having a **common intended use**. For e.g., group of assets in an integrated plant may be treated as one project.
- The **identification** of project will **require judgment** and management needs to identify project based on facts of each case.
- Project identification should be consistent with how management identifies and monitors progress on group of assets internally.

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CWIP Ageing
(Division I, II and III)

- The disclosure is **not required** to be presented at **an asset/project level.**
- The total amount presented in this disclosure should tally with the total amount of CWIP as presented in the financial statements.
- **Disclosure shall be applicable for investment property under development.**
- The ageing for an item of CWIP shall be determined from the date of its initial recognition to the date of balance sheet.
- For a single asset/project, ageing for the total amount of CWIP may fall into different ageing buckets as at a particular balance sheet date.
- The classification needs to be evaluated at each reporting date. Any change in status during the reporting period or any time after end of the reporting period will not change the classification of assets/projects for above disclosure purposes.
- **Corresponding reporting in CARO 2020: Not prescribed.**

CWIP Completion Schedule (Division I, II and III)

CWIP	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
i) Projects in Progress					
ii) Projects temporarily suspended					

- Details to be given for CWIP whose completion is overdue or has exceeded its cost compared to its original plan. Such assessment needs to be done at each reporting date.
- A Company's **'original plan' shall be considered as that plan which is approved by the relevant approving authority** and on the basis of which implementation progress is evaluated.
- **When plans are subsequently revisited and revised, same should not be considered for determining variation when making above disclosures unless such revisions in the plans are in the nature of a fresh 'Original Plan'.**
- Details of projects where activity has been suspended shall be separately given. Projects that are not considered as material at an individual level can be aggregated.
- The prescribed format requires a disclosure for both categories **(exceeded cost or timelines) on a combined basis.** However, the Company may choose to provide disclosure for each trigger separately.
- **Corresponding reporting in CARO 2020: Not prescribed.**

Title of Immovable Property (Division I, II and III)

❖ Details of all immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favor of the lessee) whose title deeds are not held in the name of the Company 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 (also indicate if in dispute)
PPE	Land					
	Building					
Investment Property	Land					
	Building					
Non-current Asset held for sale	Land					
	Building					
Others						

❖ **Corresponding reporting to CARO 2020: Similar amendment is applicable in CARO 2020.**

Intangible Asset Under Development (Division I, II and III)

Intangible Assets under Development	Amount of Intangible Assets under Development 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					

Intangible Assets under Development	To be completed in				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
i) Projects in Progress					
ii) Projects temporarily suspended					

- All comments mentioned in preceding slides for a similar disclosure of capital work-in-progress to the extent applicable to Intangible Assets under Development are applicable here also.
- **Corresponding reporting in CARO 2020: Not prescribed.**

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Disclosure for PPE (Division I, II and III)

- Para 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 % 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.

❖ A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing

a) additions,

b) disposals,

c) acquisitions through business combinations,

d) 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

e) other adjustments –

(i) capitalization of exchange differences where such option has been exercised by the Company as per AS-11 The Effects of Changes in Foreign Exchange Rates (ii) adjustments on account of exchange fluctuations for Property, Plant and Equipment in case of non-integral operations as per AS- 11 (iii) borrowing costs capitalized in accordance with AS-16 Borrowing Costs) and the related depreciation and impairment losses/reversals shall be disclosed separately.

❖ **Corresponding reporting in CARO 2020: Not prescribed.**

Disclosure for Intangible assets (Division I,II and III)

- A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing:

a) additions,
b) disposals,
c) acquisitions through business combinations,
d) amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and
e) other adjustments

26 Intangible Assets does not permit revaluation of intangible assets

- and the related depreciation and impairment losses or reversals shall be disclosed separately.

Amortization

Revaluation of PPE, Intangibles & Investment property (Division II)

Area	Current Practice	Amendments
Revaluation of PPE & Intangibles	As per Ind AS 16, revaluation can be adopted by the management. Company can adopt either costs model or revaluation model. Revaluation model shall be applied to ❖ the entire class of PPE.	Company is 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 PP&E / Intangible assets). Further, it shall disclose as to whether the revaluation (where carried out) is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuer & Valuation) Rules, 2017.

- ❖ This is a welcome change. It will bring more transparency as companies are required to make a positive assertion that 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.
- ❖ **Consequential amendment has also been made in the CARO 2020.**

Loans And Advances (Division I, II and III)

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
Promoter		
Directors		
KMPs		
Related Parties		

- **Details of amount in respect of loans or advances** in the **nature of loans** either repayable on demand or without specifying any terms or period of repayment granted to promoters, directors, KMPs and related parties to be disclosed.
- Whether an advance is in the nature of a loan would depend upon the facts and circumstances of each case. **Relationship should be considered on the date of loan and the amount should be outstanding as at the balance sheet date.**
- Amount outstanding should be the gross carrying amount (without netting the provision for doubtful debts or impairment loss allowance).

Loans And Advances (Division I, II and III)

- A normal advance against an order, in accordance with the normal trade practice would not be an advance in the nature of a loan.

- **Corresponding reporting to CARO 2020:**
  CARO 2020 requires auditors to report whether the Company has granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment, if so, **specify the aggregate amount, percentage thereof to the total loans granted, aggregate amount of loans granted to Promoters, related parties as defined in clause (76) of section 2 of the Act.**

Valuation by Registered Valuer

- 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.**

Division I

- Whether the following is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017:
  - **fair value of investment property (as measured for disclosure purposes in the financial statements).**
  - **revaluation of its Property, Plant and Equipment (including Right-of-Use Assets)**
  - **Revaluation of its intangible assets.**

Division II

Division III

Borrowings on security of current assets (Division I, II and III)

- ❖ Where Company has **borrowings** on the basis of **security of Current Assets**, whether **quarterly returns or statement filed are in agreement with books**. **If not, reconciliations & reasons of discrepancies.**

- ❖ **Disclosure** to be made if the Company has borrowings **'during any point of time of the year'**.

The Company shall provide this **disclosure** considering the sanctioned borrowings even if the same is **unutilized during the period or as at the end of the reporting period.**

- ❖ 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.**
- ❖ The disclosure is required even in case borrowings have been availed based on security of current assets of other companies/entities within the same Group.
- ❖ Illustrative format for disclosure has been provided in ICAI Guidance Note.

Borrowings on security of current assets (Division I, II and III)

❖ **Corresponding reporting to CARO 2020:**
Whether during any point of time of the year, the Company has been sanctioned working capital limits in excess of INR 5 crores, 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.

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Analytical ratios (Division I and II)

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

- The items that are considered as part of the numerator and denominator should be such that a reference to the respective line item in the financial statements or notes could be easily drawn and should be consistent for the periods presented and with the industry practice.

- Any change in the current period in relation to any item in the numerator or denominator for any ratio, then the same change shall be made for the comparative period as well and a footnote shall be added to explain the change in the item along with the reason thereof.

- There may be a need to factor in Company-specific and sector-specific nuances that may require necessary modifications to the reference considered.

- **Corresponding reporting to CARO 2020: Not prescribed.**

Analytical ratios (Division I and II)

- **Explanation** shall be provided for any change in the ratio by **more than 25% as compared to the ratio of preceding year.**

Ratio	Numerator	Denominator	Current Period	Previous Period	% Variance	Reason for variance
Current Ratio						
Debt-equity ratio						
.						
.						
.						
Return on capital employed						
Return on investment						

- Annexure B to Guidance Note on Schedule III includes examples of analytical ratios.
- **SEBI LODR requires only listed companies to disclose financial ratios** and explanation for changes.
- **Schedule III requires both listed and unlisted companies** to disclose financial ratios and explanation for changes.
- **MCA or ICAI to define the definitions of these ratios to ensure consistency.**

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Analytical ratios (Division I and II)

1. Current Ratio

The current ratio indicates a company's overall liquidity position. It is widely used by banks in making decisions regarding the advancing of working capital credit to their clients.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2. Debt – Equity Ratio

Debt-to-equity ratio compares a Company's total debt to shareholders equity. Both of these numbers can be found in a Company's balance sheet.

$$\text{Debt –Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholder's Equity}}$$

3. Debt Service Coverage Ratio

Debt Service coverage ratio is used to analyse the firm's ability to pay-off current interest and instalments.

$$\text{Debt Service Coverage Ratio} = \frac{\text{Earnings available for debt service}}{\text{Debt Service}}$$

Earning for Debt Service = Net Profit after taxes + Non-cash operating expenses like depreciation and other amortizations + Interest + other adjustments like loss on sale of Fixed assets etc.

5. Inventory Turnover Ratio

This ratio also known as stock turnover ratio and it establishes the relationship between the cost of goods sold during the period or sales during the period and average inventory held during the period. It measures the efficiency with which a Company utilizes or manages its inventory.

$$\text{Inventory Turnover ratio} = \frac{\text{Cost of goods sold OR sales}}{\text{Average Inventory}}$$

Average inventory is (Opening + Closing balance / 2)

When the information opening and closing balances of inventory is not available then the ratio can be calculated by dividing COGS OR Sales by closing balance of Inventory.

6. Trade receivables turnover ratio

It measures the efficiency at which the firm is managing the receivables.

$$\text{Trade receivables turnover ratio} = \frac{\text{Net Credit Sales}}{\text{Avg. Accounts Receivable}}$$

Net credit sales consist of gross credit sales minus sales return. Trade receivables includes sundry debtors and bills receivables.

Average trade debtors = (Opening + Closing balance / 2)

When the information about credit sales, opening and closing balances of trade debtors is not available then the ratio can be calculated by dividing total sales by closing balances of trade receivables.

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Analytical ratios (Division I and II)

7. **Trade payables turnover ratio**

It indicates the number of times sundry creditors have been paid during a period. It is calculated to judge the requirements of cash for paying sundry creditors. It is calculated by dividing the net credit purchases by average creditors.

$$\text{Trade payables turnover ratio} = \frac{\text{Net Credit Purchases}}{\text{Average Trade Payables}}$$

Net credit purchases consist of gross credit purchases minus purchase return

When the information about credit purchases, opening and closing balances of trade creditors is not available then the ratio is calculated by dividing total purchases by the closing balance of trade creditors.

8. **Net capital turnover ratio**

It indicates a company's effectiveness in using its working capital.

The working capital turnover ratio is calculated as follows: net sales divided by the average amount of working capital during the same period.

$$\text{Net capital turnover ratio} = \frac{\text{Net Sales}}{\text{Working Capital}}$$

Net sales shall be calculated as total sales minus sales returns.

Working capital shall be calculated as current assets minus current liabilities.

9. **Net profit ratio**

It measures the relationship between net profit and sales of the business.

10. **Return on capital employed (ROCE)**

Return on capital employed indicates the ability of a company's management to generate returns for both the debt holders and the equity holders. Higher the ratio, more efficiently is the capital being employed by the company to generate returns.

$$\text{ROCE} = \frac{\text{Earning before interest and taxes}}{\text{Capital Employed}}$$

Capital Employed = Tangible Net Worth + Total Debt + Deferred Tax Liability

11. **Return on investment**

Return on investment (ROI) is a financial ratio used to calculate the benefit an investor will receive in relation to their investment cost. The higher the ratio, the greater the benefit earned. The one of widely used method is Time Weighted Rate of Return (TWRR) and the same should be followed to calculate ROI. It adjusts the return for the timing of investment cash flows and its formula / method of calculation is commonly available. However, the same is given below for quick reference:

$$\text{ROI} = \frac{\{MV(T_1) - MV(T_0) - \text{Sum}\,[C(t)]\}}{\{MV(T_0) + \text{Sum}\,[W(t) * C(t)]\}}$$

where,

T_1 = End of time period

T_0 = Beginning of time period

t = Specific date falling between T_1 and T_0

$MV(T_1)$ = Market Value at T_1

$MV(T_0)$ = Market Value at T_0

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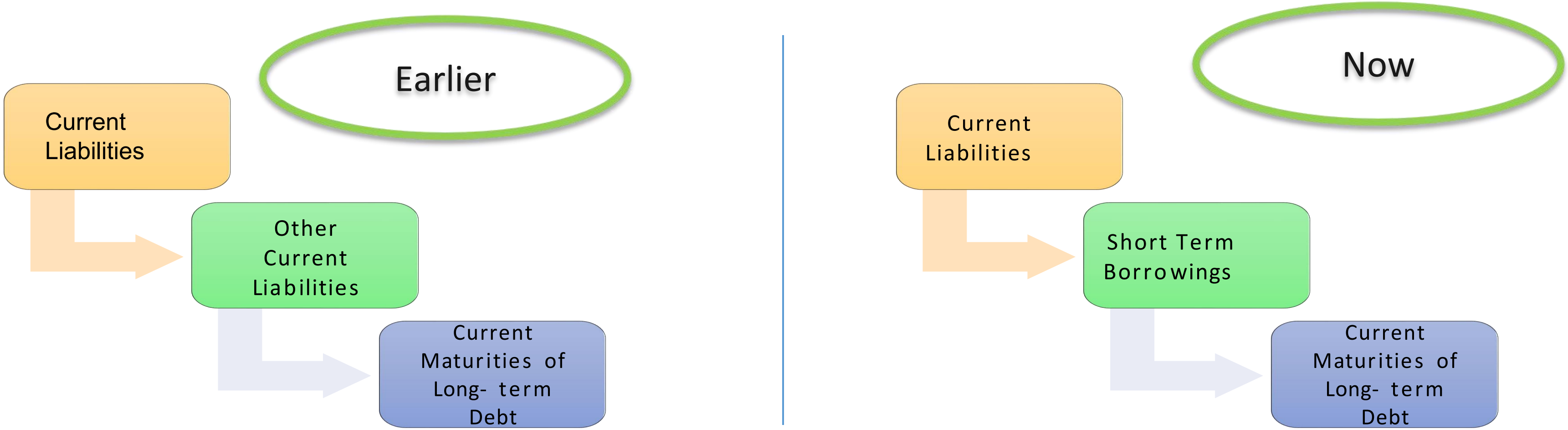
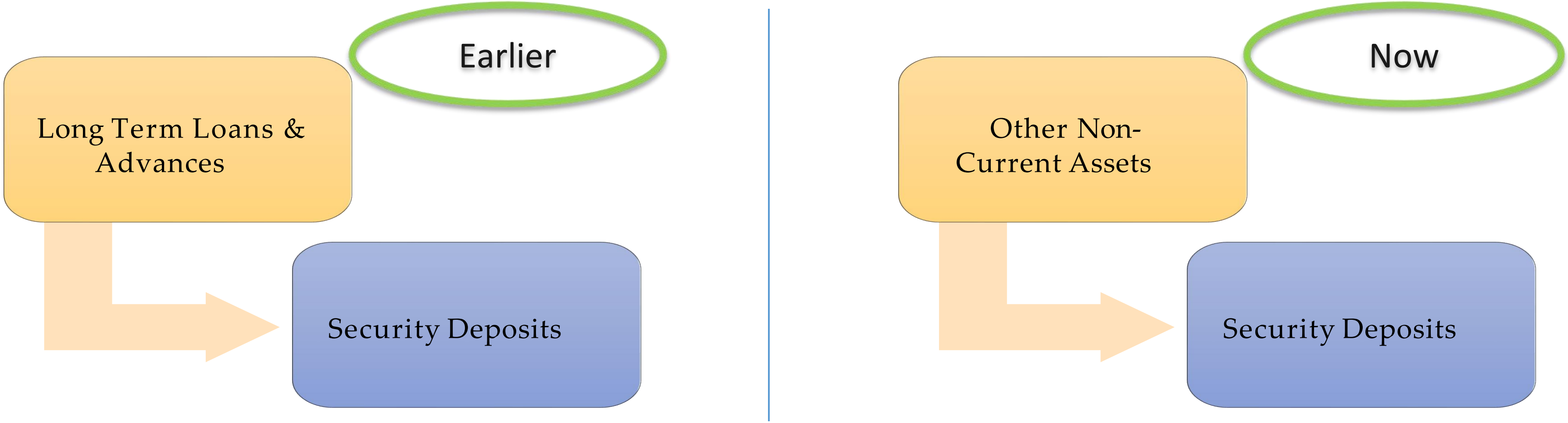
Current maturities of long term debt (Division I and II)



- Current Maturities of long-term debt shall be disclosed under "Current Borrowings" instead of "Other Financial Liabilities".
- **Corresponding reporting to CARO 2020: Not prescribed.**

Security Deposit (Division I)



- Security Deposits shall be disclosed under “Other Non-Current Assets” instead of “Long Term Loans & Advances”.
- **Corresponding reporting to CARO 2020: Not prescribed**

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Security Deposit (Division II)

Earlier

Loans

- Security Deposits
- Loans to related party
- Other Loans

Now

Other Financial Assets

- Security Deposits
- Bank Deposits with more than 12 months maturity
- Others (to be specified)

❖ Security deposits shall now be disclosed under “Other Financial Assets” instead of “Loans”.

❖ **Corresponding reporting to CARO 2020: Not prescribed**

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Utilization of Borrowed funds & share premium

Where Company has **Advanced**/ **Loaned**/ **Invested** to any other person or entity, incl. foreign entities with the understanding (recorded or otherwise) that the **Intermediary** shall

Lend or invest in **Ultimate Beneficiaries**

Provide Guarantee/ Security/ etc. on behalf of **Ultimate Beneficiaries**

Where Company has **Received** from any other person or entity, incl. foreign entities with the understanding (recorded or otherwise) that the **Company** shall

Lend or invest in **Ultimate Beneficiaries**

Provide Guarantee/ Security/ etc. on behalf of **Ultimate Beneficiaries**

Following disclosure shall be required:

- ✓ Date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary /fund received from Funding parties with complete details of each Funding party.
- ✓ 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.
- ✓ Date & Amount of Guarantee, Security, etc. provided to or on behalf of the Ultimate Beneficiaries
- ✓ Declaration that provisions of FEMA & Co. Act complied and transactions do not violate the Prevention of Money-Laundering Act.

❖ Transactions that do not take place directly between the Company and the ultimate beneficiary but are camouflaged by including a pass- through entity in order to hide the ultimate beneficiary. The pass-through entity acts on the instructions of the Company.

❖ The Company may restrict to disclose only the pass through transactions during the current year i.e. for the funds received on or after 01.4.2021 and the amounts unutilized as on 01.04.2021 which are now utilized in the current year.

Utilization of Borrowed funds & share premium

- **Corresponding reporting to CARO 2020:**
  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. Guidance note on CARO 2020 provides following suggested reporting format:

Nature of the Fund Raised	Name of the Lender	Amount diverted (INR)	Purpose for which amount was sanctioned	Purpose for which amount was utilized	Remarks

Other Changes to the Balance Sheet

- 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.

Division I

Division II

- ~~Every Company shall disclose the details of Specified Bank Notes ('SBN') held and transacted during the period 8th November, 2016 to 30th December, 2016 as provided in the following table~~:

Division III

- If, in the opinion of the Board, any of the assets other than Property, Plant and Equipment, Intangible Assets and non-current investments do not have a value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated.

Division I

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Benami Property (Division I, II and III)

- 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:

Details	Books of account	Proceedings
•Details of such property	•If Property is in the Books, reference to the item in Balance Sheet	•Whether Company is acting as an abettor or transferor (details like Initiating Officer, date of show-cause notice)
•Year of acquisition	•If Property is not in Books, then the fact shall be stated with reasons	•Nature of proceedings (whether it involves an attachment, adjudication and/or confiscation of property)
•Amount thereof		•Status and Company's view
•Details of Beneficiaries (viz., name, registered address, government identification number (PAN, Aadhar Card, SSN, CIN, etc) and relationship with Company		

- The name of the aforesaid Act has been changed to Prohibition of Benami Property Transactions Act, 1988 in the year 2016.

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Benami Property (Division I, II and III)

❖ **Corresponding reporting to CARO 2020:**
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 there under, if so, whether the Company has appropriately disclosed the details in its financial statements.

Wilful defaulter (Division I, II and III)

- Where Company is a **declared willful defaulter** by any bank/ financial Institution/ other lender, disclosure of
  - **a) Date of declaration**
  - **b) Details of defaults (amount and nature)**

- The term **'lender' covers all banks/financial institutions to which any amount is due**, provided it is arising on account of any banking transaction, including off balance sheet transactions such as derivatives, guarantee and letter of credit.

- **Events upto date of approval of financial statements should be considered for disclosure** under this clause i.e. adoption of the financial statements.

- **Corresponding reporting to CARO 2020: Auditor is required to report whether the Company is a declared wilful defaulter by any bank or financial institution or other lender.**

Relationship with Struck off Companies (Division I, II and III)

Name of the struck off Company	Nature of transactions with struck off Company	Balance outstanding as at current period	Relationship with the struck off Company, if any, to be disclosed	Balance outstanding as at previous period	Relationship with the struck off Company, if any, to be disclosed
	Investment in securities				
	Receivables				
	Payables				
	Shares held by struck off Company				
	Other outstanding balances (to be specified)				

- ❖ Information is available vide public notice (Form No. STK-7) u/s 248 of the Act.
- ❖ Gross carrying amount (without netting the provision for doubtful debts or impairment loss allowance) to be disclosed.
- ❖ If there are transactions with a struck off Company during a financial year but the balance outstanding is NIL, those transactions are required to be disclosed.
- ❖ **Corresponding reporting to CARO 2020: Not prescribed.**

Scheme(s) of Arrangements (Division I and II)

- Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 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 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.

- This requirement shall be applicable for schemes that have been approved earlier and have an ongoing accounting impact as on the date of current or comparative period financial statements where such requirements are applied.

- Section 232 of the Companies Act, 2013 contains requirement that no compromise or arrangement shall be sanctioned by the competent authority unless a certificate by the Company’s auditor has been filed to the effect that the accounting treatment, if any, proposed in the scheme of compromise or arrangement is in conformity with the accounting standards prescribed under section 133 of the Companies Act, 2013.

- **Corresponding reporting to CARO 2020: Not prescribed.**

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Other Disclosure (Division I, II and III)

- Charges / Satisfaction yet to be registered with ROC beyond the statutory period along with details and reasons thereof

- Where Company has not complied with number of layers prescribed under Section 2(87) of the Act, the name & CIN of such layer of companies along with relationship / extent of holding.

Statement of Changes in Equity (Division II and Division III)

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

- Changes in equity share capital due to prior period errors & restated balance at the beginning of current reporting period.
- The entire disclosure for equity is to be given for previous period as well.
- Re-measurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss shall be recognized as a part of retained earnings with separate disclosure of such items along with the relevant amounts in the Notes or shall be shown as a separate column under Reserves and Surplus.
- A description of the nature and purpose of each reserve under Other Reserves shall be disclosed.
- **Corresponding reporting in CARO 2020: Not prescribed.**

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Statement of Profit & Loss (Division I)

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.)	Figures as at the end of (Previous reporting period) (in Rs.)
			(DD/MM/YYYY)	(DD/MM/YYYY)
I.	Revenue from operations			
II.	Other income			
III.	Total ~~Revenue~~ Income (I + II)			

2. (A) In respect of a Company other than a finance Company revenue from operations shall disclose separately in the notes revenue from

a) sale of products;

b) sale of services;

ba) Grants or donations received (relevant in case of section 8 Company)

d) other operating revenues;

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Undisclosed income (Division I , II and III)

- 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 any scheme.
- The Company shall also state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.
- The words surrendered or disclosed which implies that the Company must have voluntarily admitted to the addition of such income, which can be demonstrated on the basis of the returns filed by the Company.
- Where the addition is made by the income tax authorities and the Company has disputed such additions, reporting under this clause is not applicable.
- In case a Statement has been retracted on the ground that such disclosure was obtained under force, coercion, etc. the income cannot be treated as surrendered or disclosed by the Company.
- **Corresponding reporting in CARO 2020: 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.**

Corporate Social Responsibility (Division I, II and III)

- 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,
  i) 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.

- The **Guidance Note** on Accounting for Expenditure on Corporate Social Responsibility Activities issued **also contains some of the above disclosure requirements.**
- **Corresponding reporting to CARO 2020: 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.**

Crypto currency / Virtual currency (Division I, II and III)

- 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.

- **Corresponding reporting to CARO 2020: Not prescribed**

CARO 2020 Vs Schedule III – Disclosure comparison

#	Ind AS	CARO 2020	Schedule III	Comparison
1	•Disclosures of title deed not in the favour of Company (excluding lease contracts)	Yes	Yes	
2	•Revaluation of PPE or Intangibles ✓10% or more ✓Valuation by Registered valuer or not.	Yes	Yes	
3	•Disclosures under Benami Transaction Act, 1988	Yes	Yes	
4	•Working capital loan obtained during the year against current assets	Yes Disclosed where WC loan in more than INR 5 Cr	Yes No limit for disclosures	•Schedule III is much wider as compared to CARO 2020
5	•Loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment.	Yes	Yes	•Disclosures is additionally required under CARO where the loans & advances are given to parties other related party. •CARO 2020 is much wider as compared to Schedule III

CARO 2020 Vs Schedule III – Disclosure comparison

#	Ind AS	CARO 2020	Schedule III	Comparison
6	•Unrecorded income / transaction to be disclosed	Yes	Yes	
7	•Company is declared to be a willful defaulter in repayment of loan to Bank or financial institution.	Yes	Yes	
8	•Whether term loans were applied for the purpose for which the loans were obtained	Yes	Yes	•CARO 2020 covers only term loan, however, Schedule III includes all types of borrowings while. •Schedule III is wider than CARO.
9	•Disclosures of financial ratios	Yes	Yes	•Auditor to comment in CARO, on material uncertainty in payment of liabilities on basis of the financial Ratios.
10	•Transfer of unspent to fund specified in Schedule VII.	Yes	Yes	

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Thank You!!