

# ERNAKULAM BRANCH OF SIRC OF ICAI

MCA Amendments dated  
24.03.2021

- Accounts, Auditors, Schedule III

13<sup>th</sup> May, 2021



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# Companies (Accounts) Amendment Rules, 2021...1

Effective from 1.4.2022

## **Mandatory use of Accounting Software having Audit Trail**

*3(1) Provided that for the financial year commencing on or after ~~01.04.2021~~ 01.04.2022, every Company which uses accounting software for maintaining its books of accounts, shall use only such Accounting Software which has a feature of*

- *recording audit trail of each and every transaction,*
- *creating an edit log of each change made in the books of account along with the date when such changes were made and*
- *ensuring that the audit trail cannot be disabled.*

## Companies (Audit and Auditors) Amendment Rules, 2021

(g) ~~Whether the company~~ *Whether the company, in respect of financial years commencing on or after 1<sup>st</sup> April, 2022 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.”.*

## Companies (Accounts) Amendment Rules, 2021 ... *other changes*

### **Matters to be Included in Board's Report**

Addition of the following clauses in Rule 8(5)

(xi) the details of application made or any proceeding pending under the **Insolvency and Bankruptcy Code**, 2016 during the year alongwith their status as at the end of the financial year

(xii) the details of difference between amount of the ***valuation*** done at the time of **one time settlement** and the valuation done while taking loan from the Banks or Financial Institutions alongwith reasons thereof.

# Companies (Audit and Auditors) Amendment Rules, 2021... *other changes*

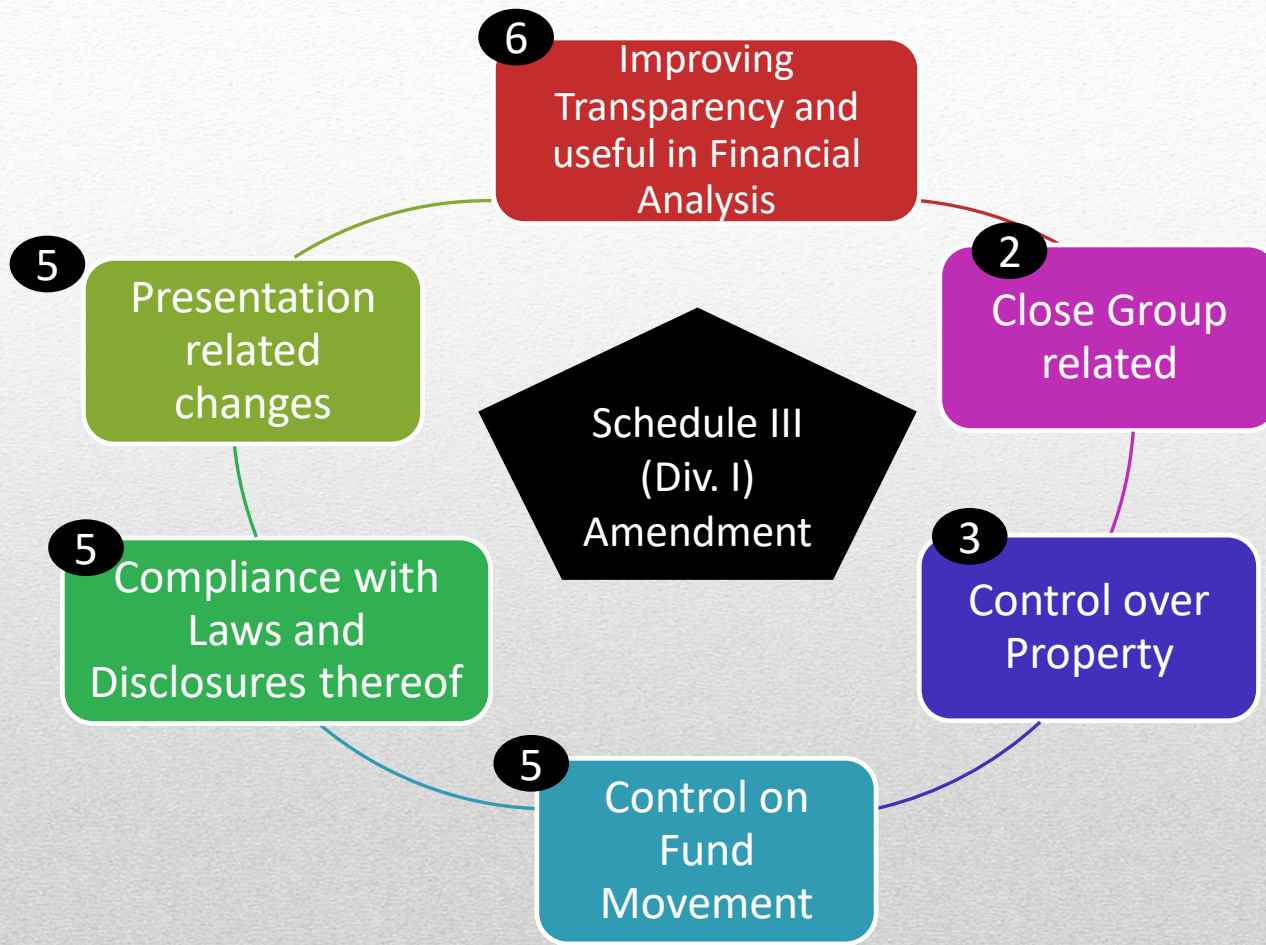
Effective from  
1.4.2021

## Rule 11 Other Matters to be included in Auditors Report

- Clause (d) of SBN reporting omitted
- Inserted

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

# Schedule III Amendments



6

Improving  
Transparency and  
useful in Financial  
Analysis

Trade Payables ageing

Trade Receivables ageing

Disclosure regarding  
revaluation

CWIP and Intangible Assets  
under development Ageing

Disclosure of 11 Ratios

CARO  
3(i)(d)

CARO  
3(xix)



# Trade Receivables Ageing

- **Trade Receivables:**

Particulars	Outstanding for following periods <i>from due date of payment</i>					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.

- Trade Payable Ageing schedule

Particulars	Outstanding for following periods from <u>due date</u> 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.

- **Property, Plant & Equipment (Similar for 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.

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

# CARO 2020

- Specify the amount of change, if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets; [Paragraph 3(i)(d)]
- Whether the company has revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year and, if so, whether the revaluation is based on the valuation by a Registered Valuer;

## (iv) Capital-Work-in Progress (CWIP) *(Same for Intangible Assets under development)*

- (a) For Capital-work-in progress, following ageing schedule shall be given:  
CWIP aging 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.

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

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

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

## (xii) Following Ratios to be disclosed:-

Current Ratio	Inventory turnover ratio	Net profit ratio
Debt-Equity Ratio	Trade Receivables turnover ratio	Return on Capital employed
Debt Service Coverage Ratio	Trade payables turnover ratio	Return on investment
Return on Equity Ratio	Net capital turnover ratio	

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.

2

Close Group  
Related

Disclosure of Promoter's Shareholding

Loans or Advances granted to promoters,  
directors, KMPs and the related parties

CARO  
3(f)

- **Share Capital:**

- Promoters' Shareholding Details of mandatorily to be provided irrespective of number/% of shares

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

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



## (iii) Loans and Advances

- Following disclosures shall be made where Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are:
  - (a) repayable on demand or
  - (b) without specifying any terms or period of repayment

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

3

## Control over Property

Details of Benami Property held

CARO  
3(i)(e)

Relationship with Struck off  
Companies

Detailed disclosure regarding  
title deeds of Immovable  
Property not held in name of  
the Company.

CARO  
3(i)(c)

### (vi) Details of Benami Property held

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

# 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 thereunder, if so, whether the company has appropriately disclosed the details in its financial statements; Clause 3(i)(e)

## (ix) Relationship with Struck off Companies

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

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

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

The company shall provide the details of **all the immovable property** (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose

- title deeds are not held in the name of the company in format given below and
- where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

*Table format given in next slide*

Relevant <i>line item in the Balance sheet</i>	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	-	-	-	-	**also indicate if in dispute
Investment property	Building					
PPE retired from active use and held for disposal	Land					
others	Building					
	Land					
	Building					

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

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

# CARO 2020

- Whether the title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the company, if not, provide the details thereof – Clause 3(i)(c)



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## Control on Fund Movement

Disclosure on circular movement of fund

Auditor Report

Use of borrowing for specific purpose

Disclosure when borrowing based on security of current assets

CARO 3(ii)(b)

Disclosure in case a company is a declared wilful defaulter

CARO 3(ix)(b)

Compliance with number of layers of companies

### (xiv) Utilisation of Borrowed funds and share premium:

Where company has **advanced or loaned or invested funds** (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) **with the understanding (whether recorded in writing or otherwise)** that the Intermediary shall

- ***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 alongwith **complete details of the ultimate beneficiaries**.
  - 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 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are **not violative of the Prevention of Money-Laundering act, 2002** (15 of 2003).;

- Where a company has **received any fund** from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall
  - 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,
- 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 other intermediaries or Ultimate Beneficiaries alongwith complete details of the other intermediaries' or ultimate beneficiaries.
  - 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 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).

# Companies (Audit and Auditors) Amendment Rules, 2021.....1

Effective from  
1.4.2021

## Rule 11 Other Matters to be included in Auditors Report

- Inserted
  - (e) (i) Whether the management has represented that, to the best of it's 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;

## Companies (Audit and Auditors) Amendment Rules, 2021.....2

(e) (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

(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.

- 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.

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

- 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.

# CARO 2020: Borrowing

- Whether during any point of time of the year, the company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets; whether the quarterly returns or statements filed by the company with such banks or financial institutions are in agreement with the books of account of the Company, if not, give details; **Clause 3(ii)(b)**

### (viii) Wilful Defaulter

- Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, following details shall be given:
  - Date of declaration as wilful defaulter,
  - Details of defaults (amount and nature of defaults),
- *“wilful defaulter” here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.*

### CARO 2020: Willful Defaulter

Whether the company is a declared wilful defaulter by any bank or financial institution or other lender; Clause 3(ix)(b)



### **(xi) Compliance with number of layers of companies**

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

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## Compliance with Laws and Disclosures thereof

Compliance with approved Scheme(s) of Arrangements

Pending registration of charges or satisfaction with Registrar of Companies

Disclosure regarding Corporate Social Responsibility

Details of Crypto Currency or Virtual Currency

Details of undisclosed income

CARO  
3(xx)

CARO  
3(viii)

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

Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 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.

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

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

## Corporate Social Responsibility (CSR)

- Where the company covered under section 135 of the companies act, the following shall be disclosed with regard to CSR activities:-
  - amount required to be spent by the company during the year,
  - amount of expenditure incurred,
  - shortfall at the end of the year,
  - total of previous years shortfall,
  - reason for shortfall,
  - nature of CSR activities,
  - details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard,
- 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.

# CARO 2020: CSR

- 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; Clause 3(xx)(a)
- Whether any amount remaining unspent under sub-section (5) of section 135 of the Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance with the provision of subsection (6) of section 135 of the said Act; Clause 3(xx)(b)

### 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:-
  - profit or loss on transactions involving Crypto currency or Virtual Currency
  - amount of currency held as at the reporting date,
- **Deposits or advances from any person for the purpose** of trading or investing in Crypto Currency/ virtual currency.”;

### Undisclosed income

The Company 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 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.

# CARO 2020: Undisclosed Income

- 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, if so, whether the previously unrecorded income has been properly recorded in the books of account during the year; Clause 3(viii)

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## Presentation related changes

Rounding off

Presentation of PPE and Intangible Assets

Classification of current maturities of Long-term borrowings

Classification of security deposits

Presentation of Grants or donations received (sec. 8 company)



- **Rounding off** mandatory

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

### **PART I- BALANCE SHEET**

- On face of balance sheet, Heading will be Property, Plant & Equipment and Intangible Assets, instead of Property, Plant & Equipment
- To disclose “**current maturities of Long-term borrowings**” separately under heading of “Short-term Borrowings”
- “**Security Deposits**” under heading of “Other Non-Current Assets”.

## PART II- STATEMENT OF PROFIT AND LOSS

- “III. Total Revenue (I +II)”, for the word “Revenue”, the word “Income” shall be substituted.
- Revenue from operations shall include further classification **Grants or donations received** (relevant in case of section 8 companies only).

# DIVISION – II (IND AS)

## Additional Changes

# Additional Amendments relating to Ind AS

- Statement of changes in Equity

## A. Equity Share Capital

### (1) 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 the current reporting period

### (2) 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 the previous reporting period

# Additional Amendments relating to Ind AS

- **Fair value of investment property**
  - Based on the valuation by a registered valuer of fair value of investment property
- **Finance lease obligation**
  - Current/Non-current liabilities – Financial liabilities: after Borrowing
- **Trade Receivables**
  - ageing schedule along with additional classification into
    - Disputed/Undisputed trade receivables which have significant increase in credit risk

**Change Is The  
Only Constant**

THANKS

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